

GAMING REGULATION IN NEVADA

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Description

Through interviews with 21 individuals with a wide range of firsthand experiences, this oral history project illuminates the evolution of gaming regulation in Nevada. The elimination of organized crime from the state's casinos might have happened without the increased vigilance of state gaming regulators, but these events undoubtedly would have unfolded more slowly and perhaps even more controversially if left only to federal prosecutors and investigators. With the assignment of casino licensing responsibilities and levying of gaming taxes to the Nevada Tax Commission and, later, the creation of the Gaming Control Board and the Gaming Commission, the state of Nevada established a groundbreaking and highly effective regulatory structure for the casino industry, setting the standard for others to follow. From the origins of the state's regulatory policies to investigations of prominent mob figures, from the advent of corporate licensing to the challenges posed by changing technologies, these stories provide a fascinating inside glimpse of an industry and its regulatory apparatus from the 1950s to the early 2000s.

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GAMING REGULATION IN NEVADA

University of Nevada Oral History Program

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FOREWORD

As might be expected for an oral history program founded in the state of Nevada, the University of Nevada Oral History Program (UNOHP) sought out firsthand recollections of the gaming industry from an early date. Oral histories contained in its collection include those of major casino owners and operators including Bill Harrah, “Benny” Binion, Dick Graves, Warren Nelson, Silvio Petricciani, Morton Saiger, Jack Douglass, and Pete Cladianos, Jr. The chronicles of dedicated casino employees ranging from dealers to advertising executives also appear throughout the archive.

The topic of gaming regulation forms a critical piece of several of the program’s early volumes, as well. Robbins Cahill, interviewed by Mary Ellen Glass in 1971-72, chaired the Gaming Control Board from 1955 to 1958. His oral history is an indispensable source on Nevada gaming since 1945. Another early chronicler, Edward A. Olsen, was a successful journalist who began covering gambling in the mid-1940s and later became the assistant secretary of the Nevada Gaming Commission. Appointed by Governor Grant Sawyer to chair the Gaming Control Board, he served from 1961 to 1966 and was interviewed by Mary Ellen Glass in 1967-1969.

Gary E. Elliot interviewed Nevada Governor Grant Sawyer for the program in 1991 and 1993, producing an oral history that forms the basis for the UNOHP-published book, *Hang Tough! Grant Sawyer: An Activist in the Governor’s Mansion*. Sawyer began his administration in 1959, when gaming control was largely ignored outside of Nevada. He was acutely aware that after the Kefauver crime hearings in 1950, Nevada would be judged by how it controlled casino gaming and the people involved in Nevada’s “peculiar institution.” Consequently, he moved early in his administration to claim the high ground in gaming control through the creation of Nevada’s first Gaming Control Board.

Under the directorship of Tom King, the UNOHP created a Gaming Advisory Board to provide input on possible gaming-related topics and to suggest possible chroniclers. In 2001, after receiving training from the Oral History Program, advisory board member Dwayne Kling began to interview individuals with firsthand experiences in gaming regulation.

In addition to the transcripts contained in this volume, Kling conducted interviews with two other prominent figures: Guy W. Farmer and Robert (Bob) Faiss. Their interviews appear in separate volumes professionally published by the UNOHP: Farmer, interviewed by Kling in 2001, served as Public Information Officer for the Nevada Gaming Commission and Gaming Control Board from August 1963 through 1966. There, his principal responsibilities were to serve as press spokesman for the gaming control agencies and as liaison officer with state and national media. His recollections of the early members of the Commission and Control Board are vital memories of Nevada’s once unique gaming

control system. In 2006, the UNOHP published the book based on his interviews, titled *Guy W. Farmer: Gaming Regulation in Nevada—The First Sawyer Administration*.

Bob Faiss, interviewed by Kling in 2002, became assistant executive secretary of the Nevada Gaming Commission in 1961. In that role, he created the first state publication on the history, economics, and control of the gaming industry. A protégé of Grant Sawyer, Faiss went on to become the head of the gaming division of the state's largest law firm, Lionel Sawyer & Collins. With Faiss at the helm, the gaming law division of LSC became arguably the most powerful and influential in its field, anywhere in the world. He was responsible for many important parts of the Nevada Revised Statutes and the regulations that the Nevada Gaming Commission and the Nevada Gaming Control Board use today. Published by the UNOHP in 2006, Faiss' memoir, *Gaming Regulation and Gaming Law in Nevada*, is an eloquent, eyewitness account of crucial events and moments in the history of legalized gaming in the state.

The remaining 21 interviews Kling conducted for the gaming regulation project are compiled in this volume. The participants span a wide range of experiences and eras. The majority served either on the Gaming Control Board or Gaming Commission, many as chair. The earliest was Bert Goldwater, appointed by Governor Grant Sawyer to the Nevada Gaming Commission in 1959. Some served only a year, while others, like Jack Stratton, served for more than a decade. Figures like Harry Reid and Brian Sandoval moved on from the Nevada Gaming Commission to extensive, high-profile careers in public service. The wide range of topics covered include the licensing of mob-related properties, investigations of skimming allegations, the List of Excluded Persons, changes in regulatory legislation, the relationship between the Board and the Commission, the impact of corporate licensing, and much more.

Transcripts of the oral histories contained in this collection were sent back to the participants, who had the opportunity to provide edits and corrections. The project then lay dormant for several years until it could be professionally edited and added to the UNOHP archive. While taking great pains not to alter meaning in any way, we have removed false starts, redundancies, and the "uhs," "ahs," and other noises with which speech is often liberally sprinkled; compressed some passages which, in unaltered form, misrepresent the chronicler's meaning; and relocated some material to place information in its intended context.

While these interviews are without question authentic, it should be kept in mind that these are remembered pasts, and the recollections contained here are not presented as entirely free of error. It can be stated, however, that the transcripts accurately reflect the oral history recordings on which they were based. Accordingly, each transcript should be approached with the same prudence exercised when consulting government records, newspaper accounts, diaries, and other primary sources of historical information. All statements made here constitute the remembrance or opinions of the individuals who were interviewed, and not the opinions of the project's planners, sponsors, or the University of Nevada, Reno.

This project received generous support from the Charles Mathewson Foundation, Lionel Sawyer & Collins, Ken Adams, Bill Douglass, and the Melton-Gannett Endowment.

Alicia Barber
September 2016

About the Interviewer

Dwayne Kling began his professional association with Nevada gaming in 1954, the year he returned to Reno after playing professional baseball in the Yankee farm system. He began at Harolds Club, carrying change on the graveyard shift. From there he learned to deal craps, became a pit supervisor, and finally rose to the position of a casino manager and later a general manager. Over the course of his career, he held various executive positions at the Peppermill Hotel Casino, Harrah's Club, Harolds Club, the Virginian Hotel-Casino, Ponderosa Hotel, the Horseshoe Club, and the Silver Spur Casino. Kling retired in 1995. His book, *The Rise of the Biggest Little City: An Encyclopedic History of Reno Gaming, 1931-1981*, was published by the University of Nevada Press in 2000. Kling himself was interviewed by Ken Adams for the University of Nevada Oral History Program in 1998, and his transcript was published in 2000 with the title, *Dwayne Kling: Luck is the Residue of Design*.

INTRODUCTION

For nearly half a century, Nevada stood alone as the only state in the United States with legal gambling. Today, all but two states have some form of it, Native American groups own casinos, and riverboats boast everything from crap tables to slot machines. With this growth has come a need to regulate the industry, and Nevada's approach has attracted attention from throughout the world. Nevada's gaming regulatory system has evolved into the world's finest, and these oral histories suggest how and why—and that none of it happened overnight.

Nevadans enjoyed legal gambling from 1869 to 1910, when an anti-gambling law passed by the 1909 legislature took effect. The state played no role in regulating its legal casinos or combatting illegal casinos, leaving everything to the cities and counties. By 1919, Governor Emmet Boyle, a committed Progressive and thus a believer in expanded government regulation and in moral reform, deemed the anti-gambling law a failure and suggested a "rigid enforceable law designed to prohibit gambling in all forms," but to no avail.

During the 1920s, Nevada turned increasingly to catering to tourists in pursuit of what others considered vice and immorality. In 1927, the legislature cut the residency requirement for divorce in half to three months, appalling opponents of "easy divorce" but appealing to those seeking to end their marriages. The activities available to those seeking divorce included gambling in Reno casinos whose investors included George Wingfield, the state's political and economic boss. Many throughout the state also flouted Prohibition. Those disembarking from the Union Pacific depot in downtown Las Vegas had a short walk to Block 16 and its gambling, prostitution, and illegal alcohol.

In 1931, Nevada went much further. The 1931 legislative session, meeting as construction began on Hoover Dam, turned out to be the most important in Nevada's history. On March 19, two laws passed and signed by Governor Fred Balzar would have a profound impact on the state's future. Legislators voted to cut the residency requirement for divorce from three months to six weeks, effective May 1, and legalized gambling immediately. The assemblyman who introduced the gambling bill, Humboldt County rancher Phil Tobin, claimed a desire to increase state revenues and legalize what had been going on anyway. Las Vegas casino operator Harold Stocker said that he sent at least one suitcase of money to the legislature. Others point to organized crime interests, especially Chicago, and Johnny Rosselli, later a mob overseer on the Las Vegas Strip.

But Nevada had other motivations. Businessmen hoped that those who came to Nevada for a divorce would find their six weeks so pleasant that they would choose to live in the state and become taxpayers and investors. Gambling would be another way to attract those visitors. The state's leading

businessman, Wingfield, would reap benefits from legal gambling at his banks and hotels, and such a law fit neatly with his libertarian inclinations.

Those inclinations affected how the state regulated its new industry—it chose not to do so. The legislature left licensing decisions up to cities and counties. In turn, the local government sent one-quarter of the fees they received to the state. Each county would set up a five-member board that would include its three county commissioners (today, county commissions range from three to seven members), the sheriff, and the district attorney.

The signs proved to be ominous. Addressing concerns about organized crime, Reno's sheriff said, "Al Capone is welcome in Reno as long as he behaves himself." Making this comment worrisome, at least in hindsight, Reno had a long history of illegal casinos, Capone's friend Frank Detra's Pair-O-Dice debuted on Highway 91 (across from today's Wynn Las Vegas) outside Las Vegas in 1930, Detra allegedly put in money to support legal gambling that may have come from Capone himself, and Capone rarely behaved himself. The *Las Vegas Evening Review-Journal* said, "People should not get overly excited over the effects of the new gambling bill—conditions will be little different than they are at the present time, except that some things will be done openly that have previously been done in secret." If Nevadans seemed unexcited over legal gambling, the national reaction provided a stark contrast: the *Chicago Tribune* spoke for many with the headline, "CANCEL NEVADA'S STATEHOOD!"

Nevada survived as a state, and gambling proved to be important, but not dominant. As it expanded in Reno, Las Vegas, and other Nevada cities, and in particular as organized crime interests began to flex their muscles, the state saw an opportunity for additional revenue and a need to step in. In 1945, the legislature approved bills to have the Nevada Tax Commission investigate and decide upon all gaming license applicants, and to tax gross revenues from gaming at one percent. Unhappy with the bill but realizing it enjoyed broad support, Governor E.P. Carville let it become law without his signature and warned that "the wiser course would have been to avoid this type of taxation, and obtain a just contribution from the gambling business by imposing a higher license fee." He apparently feared that taxation without representation would indeed be tyranny, and therefore casino operators would see it as necessary and proper to become involved in state politics—and they did.

But these constituted baby steps. The Tax Commission hired a secretary, Robbins Cahill, who, in his early years, functioned as a one-man regulatory system, doing almost everything himself. State employees had little or no training or background in the industry. And the extent of its powers remained in flux, although a 1949 opinion by state attorney general Alan Bible clarified that the Tax Commission had power over local licensure and could reject an applicant for "just cause, unsavory reputation, or other reasons of public interest." When Estes Kefauver brought his Senate Committee on Organized Crime to Las Vegas in 1950, he found Nevada's regulatory structure appalling: casino owners and politicians had power over and in the Tax Commission. He criticized Nevada in his final report and the book based on it, but had little impact on how the state went about regulating its business.

That the state needed to do much more became painfully evident in 1954, during the reelection campaign of Governor Charles Russell, and it all started with prostitution. After an FBI raid on a brothel, Hank Greenspun, the publisher of the *Las Vegas Sun*, accused Clark County Sheriff Glen Jones of taking bribes to allow the business to stay open, prompting Jones to sue Greenspun for libel. In turn, Greenspun and his staff put together a sting operation, hiring a private detective who posed as an East Coast hoodlum. They recorded his discussions with local officials about his plans, his criminal record, and how he could obtain a license. According to the transcripts, the lieutenant governor and Democratic national committeeman, Cliff Jones (no relation to the sheriff), claimed that after Russell's defeat, he would have

power, force out Cahill, and gut the Tax Commission's power—and that Meyer and Jake Lansky held hidden interests in the Thunderbird, a Strip hotel that Jones co-owned. The publication of this news affected the outcome: Russell won reelection (and the sheriff, caught accepting money from the ersatz gangster, dropped his lawsuit).

In 1955, Russell and the legislature responded. They set up a Gaming Control Board of three members appointed by the governor and with backgrounds in such areas as accounting and law enforcement; they would make recommendations to the Tax Commission, which still would have final approval. The Tax Commission also revoked the Thunderbird's gaming license. When Jones and the other owners, led by Marion Hicks, filed suit, the case worked its way to the Nevada Supreme Court.

In retrospect, Nevadans may realize how valuable gaming regulation would turn out to be, but the casino owners at the time resented it. In 1957, they led an effort to pass legislation to dilute the state's power to revoke licenses. Russell vetoed the bill, which passed overwhelmingly. With a two-thirds vote required to override, one lawmaker, Republican State Senator Ralph Lattin, switched to Russell's side. Historian James Hulse, then a reporter covering these events, described Lattin's vote as "a singular act of courage without parallel in the history of the legislature."

The Nevada Supreme Court also came down on the side of regulation. Just after S.B. 92's defeat in 1957, Nevada's three high court justices ruled in *Tax Commission v. Hicks* that the Tax Commission had acted wrongly when it pulled the Thunderbird's license "without substantial evidentiary support." But Justice Charles Merrill's majority opinion favored the state: "Nevada gambling, if it is to succeed as a lawful enterprise, must be free from the criminal and corruptive taint acquired by gambling beyond our borders," he wrote. "If this is to be accomplished not only must the operation of gambling be carefully controlled, but the character and background of those who would engage in gambling in this state must be carefully scrutinized." The state kept the power to regulate its casinos, and gained more of it from Merrill's opinion.

After defeating Russell for a third term in 1958, new Governor Grant Sawyer created the modern gaming regulatory system as we have come to know it. Sawyer saw that with the governor serving on the Tax Commission, politics could too easily enter into decisions on licensing and rules. Thus, in 1959, the state legislature approved a bill creating a Gaming Commission that would consist of five gubernatorial appointees, freeing the governor from any involvement in its decisions—not to mention that if the commissioners made somebody angry, Sawyer or any other governor would be able to say that he had nothing to do with it. Two years later, at Sawyer's urging, the legislature created an appointed Gaming Policy Board that could meet and propose regulations and changes. Sawyer told his regulators, "Hang tough and you will be doing a great service to me, to the industry, and to the state," and the governor felt strongly enough about his statement that it became the title of his oral history.

These and other steps proved controversial. State Attorney General Roger D. Foley felt that Sawyer and his regulators overstepped their powers. Gaming officials proposed a "List of Excluded Persons," or the "Black Book," as it became known for the binder containing the names; it would bar some criminals or suspected criminals from entering a casino, starting with a group of twelve reputed mobsters, all with Italian backgrounds. Sharing Foley's concerns about civil liberties, Sawyer said, "I didn't see how we could put somebody's name on a list and say, 'You can't go into a public accommodation,'" but, he said, "I was in favor of doing anything within the law to keep those people out of Nevada." One of them, Marshall Caifano, also known as Johnny Marshall, sued in a federal court, which upheld Nevada's actions.

But the Black Book also caused a different kind of black mark. Chicago mobster Sam Giancana, an original member of the list, visited Lake Tahoe's Cal-Neva Lodge anyway as a guest of the resort's licensed owner: Frank Sinatra. The "Chairman of the Board" and leader of the Rat Pack, known for his loyalty to his friends and a temper, and rumored to be Giancana's front man, resented it when news of Giancana's visit appeared in the press. Sinatra's attorney spoke with Ed Olsen, a former journalist who chaired the Gaming Control Board, but then the singer called Olsen. Although Olsen never publicized the discussion, it ended Sinatra's ownership: he swore at Olsen and appeared to threaten him, and then Sinatra gave up his license. Shortly thereafter, Sawyer saw President John F. Kennedy, who spoke in Las Vegas in the early days of a reelection campaign that he would never have the chance to run. After exchanging greetings, Kennedy asked, "What are you guys doing to my friend, Frank Sinatra?" Sawyer replied, "Mr. President, I'll try to take care of things here in Nevada, and I wish you luck on the national level."

Sawyer—and Nevada's gaming regulators—also needed luck at the national level. In 1960, Sawyer had been Kennedy's leading supporter in Nevada and his closest political ally had chaired the presidential campaign in the state. But Kennedy's younger brother Robert had been counsel to a Senate committee investigating labor racketeering, and targeted the Teamsters, their pension fund, and their powerful leader, Jimmy Hoffa. As his brother's attorney general, Bobby Kennedy continued to target the mob. The Justice Department asked Foley, who also had backed JFK in 1960, to deputize 65 federal agents to be part of Nevada's Gaming Control Board so that they could raid the state's casinos. Sawyer and Foley went to Washington, where Sawyer found Bobby Kennedy contemptuous of him—a far cry, he noted, from Kennedy's view of him when he was seeking votes at the 1960 Democratic National Convention. The governor and attorney general then went to the White House and, whatever they told John Kennedy, the raid never took place.

Sawyer managed to criticize both organized crime and the federal leaders supposedly targeting it. He attacked J. Edgar Hoover, the legendary director of the FBI, for dishonesty and hoarding information, and for violating the civil rights of Nevadans by illegally wiretapping them. Sawyer's appointees also continued to add members to the Black Book and to raid casinos without Bobby Kennedy's involvement—and antagonized casino operators who, in turn, opposed Sawyer's quest for a third term in 1966.

The winner that year, Republican Paul Laxalt, sought a different approach to ferreting out organized crime and regulating gaming. He encouraged the shopping spree by Howard Hughes that led to the reclusive billionaire's purchase of half a dozen Las Vegas casino properties, including excusing him from the requisite personal appearance before the regulatory boards. He pushed for passage of the Corporate Gaming Act of 1969, which changed the state's rules, which required every stockholder to be licensed, to enable publicly traded corporations and their millions of investors to buy casinos.

Sawyer had feared that mobsters would simply find a way around the corporate gaming law, and they did: they formed corporations of their own. The classic example, Allen R. Glick's Argent Enterprises, bought the Stardust, Fremont, Hacienda, and Marina Hotels in Las Vegas, thanks to a \$62.7 million loan from the Teamsters Central States Pension Fund. While Glick professed naiveté, the Chicago, Kansas City, and Milwaukee crime families exerted actual control through onetime sports fixer Frank "Lefty" Rosenthal, who oversaw the skimpering operation at Argent properties. The Kansas City mob ran the Tropicana Hotel behind a frontwoman, Mitzi Stauffer Briggs, a chemical heiress. Hoffa's longtime attorney Morris Shenker ostensibly owned the Dunes, Detroit and St. Louis operators

represented their cities' mobs at the Aladdin, and organized crime continued to predominate in Nevada gaming, especially in Las Vegas.

Both federal and state officials responded. Congress passed the Racketeer Influenced and Corrupt Organizations Act (RICO) as part of the Organized Crime Control Act of 1970. In addition to strengthening penalties, the legislation made it possible to prosecute a boss or "capo" for crimes committed on his orders. The Justice Department stepped up its Organized Crime Strike Force, eventually prosecuting skimming classes involving mobsters throughout the Midwest, and the Teamsters union leaders allied with them.

In Nevada, what Rosenthal called "the O'Callaghan Gang," appointees of Governor Mike O'Callaghan and the agents who worked for them, increasingly targeted suspicious characters. In 1976, state gaming agents raided the Stardust in search of evidence of skimming. Rosenthal kept taking different job titles to try to mask his actual role running the casino until finally the Gaming Commission called him in for licensing and rejected him. Rosenthal proceeded to challenge the ethics of the commission's chair, Harry Reid, prompting his fellow mobsters to add a nickname to "Lefty": "Crazy." Reid stood his ground, Rosenthal had to leave the Stardust, and in the wake of reports and investigations related to the skim, Glick sold his hotels—but his successors either failed or proved unwilling to make enough changes, and lost their licenses for the Stardust and Fremont Hotels in 1983.

By then, Reid and the Gaming Commission also had tackled the Tropicana. On FBI wiretaps, the hotel's show producer, a Sicilian mobster who had taken the name of a more reputable Italian citizen named Joe Agosto, claimed to control a regulator he called "Cleanface," clearly referring to the boyish-looking Reid. In a highly unusual move, FBI officials came forward and made clear that no evidence existed to support Agosto's claims. The same wiretaps, involving Kansas City mobsters, revealed Carl Thomas, a respected young gaming executive, as the architect of the Tropicana's skimming operation, and he surrendered his license.

Nevada's regulators had stood up to the challenge, but they had help—not just from the federal government, but also from the media. *The Valley Times*, a daily Las Vegas-area newspaper, reported extensively on gaming, and obtained wiretap transcripts and other confidential material. Reporter Ned Day and columnist Dick Odessky, in between jobs as a casino publicist, obtained most of the material—but a great deal of the information came to them through another reporter by way of Dennis Gomes, the head of the Control Board's audit division, who had feared that political connections might enable mobsters like Rosenthal to escape proper scrutiny. Ultimately, the state did its duty, but so did the press.

To say that everyone lived happily ever after might overstate matters. Rosenthal survived a car bombing and lived into his late seventies in Florida. Reid found a bomb attached to a family car, and emerged unscathed from that to go on to serve as Senate majority leader. Agosto died of a heart attack not long after testifying in court against other mobsters. After a car bombing attempt, Day died while on vacation in Hawaii.

One of the subjects of regulators' attention, Anthony Spilotro, joined Rosenthal in achieving the status of legend. Spilotro had come to Las Vegas in 1971 through the intervention of the Teamsters pension fund boss, Allen Dorfman, and soon took over street crime. Suspected of numerous murders in Chicago and Las Vegas, as well as robberies, Spilotro managed to avoid jail time until, in 1986, he returned to Chicago for a meeting apparently intended to decide who would take over that city's organized crime family. Spilotro lost, in more ways than one. He and his brother disappeared, their bodies found a few days later in an Indiana cornfield, where they had been buried after being beaten to death. The story of Rosenthal and Spilotro became the center of *Casino*, a 1995 film directed by Martin

Scorsese and starring Robert DeNiro as a far handsomer version of Rosenthal and Joe Pesci as Spilotro, with Sharon Stone as Geri Rosenthal, the former's wife and the latter's mistress. Although the film made the mob look more competent than it seems to have been, given its ultimate demise, it provides the texture and context of the times.

The mob's time had run out. By 1985, federal and state prosecutions and regulations, as well as media scrutiny, had driven organized crime management and ownership out of Nevada's casinos. Since then, multinational corporations have taken over ownership of most of the Las Vegas Strip and some of Reno's resorts, with smaller companies involved in neighborhood casinos in Las Vegas and other properties in Reno. Gaming regulators tend to concentrate more now on national and international issues, technological crimes and problems, and issues of security and securities.

The mob's elimination from casinos might have happened without the increased vigilance of state gaming regulators, but these events undoubtedly would have unfolded more slowly and perhaps even more controversially if left only to federal prosecutors and investigators. Today, the Nevada Gaming Commission and Control Board continue to regulate the industry, but the industry has changed significantly. This project illuminates the evolution of gaming regulation, and gaming itself—complicated subjects, involving complicated people with knowledge to share, stories to tell, and warnings to impart. What they have done, and continue to do, never has been simple or easy; otherwise, this story would be far different.

Michael S. Green
September 2016

Dr. Michael S. Green is an associate professor of history at UNLV. He is the author of *Nevada: A History of the Silver State* and co-author of *Las Vegas: A Centennial History*, among other books and articles about Nevada. He has published three books on the Civil War era, including *Lincoln and the Election of 1860* and *Politics and America in Crisis: The Coming of the Civil War*. He writes "Nevada Yesterdays," read by former U.S. Senator Richard Bryan, for KNPR and Nevada Humanities. A columnist for *Nevada's Washington Watch* and *Vegas Seven*, Dr. Green is a member of the board of directors for The Mob Museum, for which he was one of the researchers.

PATRICIA BECKER



Born in 1951, Patricia Becker grew up in Las Vegas. After earning her law degree at California Western School of Law in San Diego, she returned to Nevada and clerked for Nevada Supreme Court Chief Justice Cameron Batjer. In 1979 she became a lawyer with the state attorney general's office, assigned to the Gaming Control Board and Nevada Gaming Commission. In 1983, Becker was appointed to the Gaming Control Board by Governor Richard Bryan and served until fall of 1984. She later became the senior vice president and general counsel for Harrah's and senior vice president of corporate affairs and legal for Aladdin Gaming. In 1996 she established her consulting firm, Patricia Becker & Associates. She has served as a compliance officer for companies including Bally Technologies and was the Executive Director of the International Gaming Institute at UNLV from 2005 to 2011.

Patricia Becker. Photo courtesy of Patricia Becker.

Dwayne Kling: This is Dwayne Kling. It's July 29, 2002. I'm with Patty Becker in her office in the Aladdin Hotel in Las Vegas, Nevada. Patty, does the Oral History Program of the University of Nevada have the right to record this interview that we are about to begin today?

Patricia Becker: Yes.

I will start out by asking when and where were you born and when you came to Nevada.

I was born December 29, 1951 in Los Angeles, California, and I moved to Las Vegas in 1954. I graduated from Clark High School in Las Vegas, and then I went to undergraduate school both in Las Vegas and UNR. I graduated from UNR in 1972 with a degree in elementary education. I actually taught second grade here in Las Vegas for a year, and then went off to law school. I graduated from California Western School of Law in San Diego in December 1975.

When did you first go to work for the State of Nevada?

Almost immediately after graduation. I worked part time for the state, and then I was named the law clerk for Chief Justice Cameron Batjer of the Nevada Supreme Court. I started that job after I took the Nevada bar exam in September of 1976.

What other positions did you hold with the state prior to being appointed to the Gaming Control Board?

In 1977 Governor O'Callaghan appointed me to a position that had just been created by the Nevada legislature called "State Industrial Attorney." I did that from 1977 to 1979. And then in the summer of 1979 I went to work as a deputy attorney general for Richard Bryan. I worked part time for the Gaming Control Board and part time for the civil division.

Did the Gaming Board have a full-time deputy attorney general at that time?

Yes, I think they had three full-time positions, and I was brought on to be an additional part-time deputy because they were so busy in the attorney general's office. And even though I was supposed to be part time in the civil division—that's the way the job was created—in truth, I was full time almost from day one at the Gaming Control Board. My office was there, and they had so much work that they made me full time within a few months.

In 1978 Anthony "Tony the Ant" Spilotro was entered in the List of Excluded Persons, commonly called the "Black Book." Did he appeal the legality of that action?

Yes. He took that case to the Nevada Supreme Court stating that the *List of Excluded Persons*, or the "Black Book," was unconstitutional, and that the constitutionality of that statute had not been decided in the state of Nevada. The case was heard at the Nevada Supreme Court level. Oscar Goodman represented Tony Spilotro, and I represented the State of Nevada. At that time I was chief counsel for the Gaming Control Board and Gaming Commission. I had been named chief in December 1980.

That was quite a responsible assignment that you were given, wasn't it?

Yes. What happened was [laughter] Dick Bryan had made me chief in December of 1980. It had really been a quantum leap when I was named deputy A.G. [attorney general], as there had never been a woman deputy A.G. for the Gaming Control Board. Clearly, there had never been a chief deputy that had been female, either, so it was an honor in every respect. I give both Governor O'Callaghan in 1977 and then-Attorney General Richard Bryan in 1979 a lot of credit for having the foresight and the openness to appoint women to positions that hadn't been previously held by women. In this day and age it's nothing,

but at that time, when I took the Nevada bar, there just were not that many women lawyers. When I went to law school there were only a handful of us in law school. So it was very unusual. We were not the norm as we are today.

And not only were you the first female, but you were quite young when you represented the state, weren't you?

Yes. [laughter] I was twenty-seven when I went to work as a deputy A.G., and it was a week or two before my twenty-ninth birthday when I was made chief counsel for the Gaming Control Board. So you're correct, I was not very old.

What was the result of the Spilotro hearing?

It was pretty interesting because the U.S. Supreme Court had just ruled that cameras could be allowed in the courtroom. And the Nevada Supreme Court, for the first time in its history, allowed cameras in the courtroom for that hearing. So the entire hearing was taped, and although it wasn't shown in its entirety on television, excerpts were on all of the evening news shows. It was high visibility. Richard Bryan sat next to me as I argued the case, but he actually allowed me to argue the case. He's incredibly competent, and he was an incredibly competent lawyer. He could easily have said, "Oh, I'm going to argue that case as attorney general." I worked very hard to prepare for that case—*very* hard. I was nervous. I actually had one of the other attorneys in the office come over to my home and pretend that he was a Supreme Court justice and ask me questions to help me prepare.

Was Mr. Spilotro present at the hearing?

No, he was not. I never saw Mr. Spilotro.

Was he eventually included in the "Black Book?"

Yes. It was a lengthy hearing. I think they gave us extended time for oral arguments. I remember the courtroom being packed. And they did not rule from the bench. They just asked a lot of questions. And my recollection is that they asked more questions of the state—or of me—to respond to than they did of Mr. Goodman. But eventually, when the ruling came down, the state was victorious. So Mr. Spilotro was included in the "Black Book" or the *List of Excluded Persons*.

Were you or your family ever threatened during this appeal or at any other time during the years you worked for the state?

No, I was never really threatened. But in a slot-cheating case that we later worked on in conjunction with the FBI, I know the FBI monitored my home. I was a single woman living alone at that time, and I know that they kept close tabs on me. The slot-cheating individual was in the protected witness program, and the FBI agents were concerned about me during that time period. They told me after the fact. [laughter]

You also represented the state in the case in which the Summa Corporation challenged the state's computation of gross gaming revenues. Would you tell us about that, please?

That case related to whether or not gaming markers were going to be taxed. The industry was adamant that uncollected gaming markers should not be part of gross revenue. They used to discount the markers as a business decision, and the state audit division had said no, the revenue should be included in gross revenue. The Summa case was really just one of many. The entire industry was doing it, and that just happened to be the case that was taken up to the Nevada Supreme Court. Bob Faiss represented Summa, and I argued the case for the state before the Nevada Supreme Court, and, again, the state was the winner. Subsequent to that, legislation was enacted so that there were standards set on when gaming markers could be deducted from gross gaming revenue. And that standard is still being utilized today.

So that was a landmark ruling?

Yes. And there's a third case that I argued before the Nevada Supreme Court. The issue was the constitutionality of the board's ability to call forward somebody for licensing who was doing business on the premises of a gaming establishment. That had never been challenged. The Gaming Control Board had never called anyone forward under that statute. The Board made the decision to call the individual forward for licensing, and he challenged the constitutionality of that. That was the third gaming case I argued before the Nevada Supreme Court, and it was interesting because all three cases occurred within a period of four weeks. So it was a very hectic time period for me, but the state also won that case. Also, it was during a time period when the then-attorney general, Richard Bryan, was running against the then-governor, Robert List. So there was a lot of pressure, a lot of publicity, a lot of focus. And those three cases, probably to this day, are three of the most important cases that the Nevada Supreme Court has decided in regard to gaming law in the state.

You were appointed as chief deputy attorney general by Richard Bryan. Were other people considered for the position?

Yes. I know that he interviewed several people before I was made chief deputy. It was a quantum leap for someone to make at the time. I have always respected him, and I was also very thankful to him during this time period, because he made the decision on a Thursday or a Friday, and he scheduled a press conference for the following week. At that time my mother was terminally ill and in the hospital, so he gave me permission to tell her. I couldn't tell anyone else that I was going to be made chief deputy, but I was able to have that conversation with her. Between the time that he had told me and the time he made it public she passed away. So I've always been very grateful that I was able to share that with her during that time. Richard was very honorable to work for, and very bright. When tough decisions came along, you could almost speed feed him the facts and the law and he was right there in sync with you to assist in making a tough decision. And he was very supportive. You never had to wonder if he would change his mind on a decision. If he was there during the time you made a joint decision, he'd be there for you after the fact.

I had not known him, I had not met him, and I had not worked for him before he appointed me as a deputy A.G., and the same with Governor O'Callaghan. Governor O'Callaghan, when I was made state industrial attorney, had just made a decision that he was going to look for some prominent women to

appoint to important positions. He appointed four of us to different positions and at that point in time he was looking for a woman lawyer to fill this position, and there just weren't that many women lawyers. [laughter]

When were you appointed to the Gaming Control Board?

I became a board member in January 1983. Two days after Richard Bryan had been elected governor—so that would have been in November of 1982—he called me up and told me that he was going to make me a member of the Gaming Control Board. That was the first time that we'd ever discussed it or that he'd ever mentioned it. He just called and said, "Look, I'm going to do this." And he said to me, after it was made public, that he wanted me to go around and meet as many people in the industry as I could—as many of the owners—because he knew that they were going to be very uneasy about having a female on the Gaming Control Board.

How old were you when you were appointed to the board?

I had just turned thirty-one when I became a member of the Gaming Control Board.

You were, of course, as we mentioned, the first female to be appointed to the Board. Did you ever feel that you were being patronized by other board members or members of the gaming community?

I don't know if "patronize" would be the right word. At that point I had been the lawyer for the Board and Commission for three and a half years, and I think I had paid dues to the extent that I had earned a reputation. I don't know if I felt patronized by the other members. I don't think that that would be correct, or by the industry, really. I did feel like I was an anomaly. The press that I received when I was named a member of the Gaming Control Board was unexpected to me. I had not run for office. I had stayed out of politics. I just had worked hard as a lawyer. And to be on the front page of the newspaper, to have people recognize you when you went to the grocery store, or if you went out clothes shopping was a huge surprise to me. And I think, if anything, during that time period, I remember retreating and becoming shyer and shyer, only because people all of a sudden knew who I was, and I was not accustomed to that.

Who did you replace on the Board?

I replaced Jack Stratton.

Do you have an opinion on why there's never been another female appointed to the Gaming Control Board? You're the first, last, and only.

[laughter] That saddens me because it's a very prestigious job and it opens up a lot of doors. I'm sure that in the future there will be other female members of the board.

When you were appointed to the board in 1983 the Stardust Hotel-Casino was owned by Al Sachs and Herb Tobman. Would you tell us the problems that came to light at the Stardust during your term on the

Board?

I don't recall if the FBI approached the Gaming Control Board or if it was through discussions, but the FBI had an ongoing investigation, and they believed that there was skimming ongoing at the Stardust. And they requested the Gaming Control Board to join them in the investigation. Then one of the agents at the Board—I believe it was a Board agent, it might have been one of the FBI agents—actually saw infractions occurring *when* we were doing this joint investigation. And since one of the underlying premises of gaming is that everything be honest and aboveboard, the Gaming Control Board filed a complaint and sought an emergency revocation of the gaming license—an emergency order—so that Mr. Sachs and Mr. Tobman, even pending review of the case, would not be allowed to be in the operations. I think the ability to have that kind of an emergency order came about in the legislature, and had only recently been enacted. I think it was the first time where the state tried to take over and operate an establishment under an emergency order.

Who did the state put in to run the operation?

That's an interesting question, because the law stated that you had to go to the court and name a supervisor to put in charge and you had to at least give the judge two names. When we made this decision to go forward with the Stardust, and the chairman of the Commission signed the emergency complaint and order, we did not have two individuals or companies that would agree to be utilized as a supervisor. So I think it was a day or two after the emergency order was signed—or it might have been right before the emergency order was signed—we started interviewing every major gaming company in the state. We asked every major executive of companies that were large enough that we thought could have enough personnel to operate the Stardust and their own casino.

The last person in the afternoon that we interviewed was Bill Boyd. Up to that time everyone had said, "We want to support the Board. We understand what the Board has done. We will loan you executives, we will loan employees, but we're not going to take the primary responsibility for running it." So we were getting very discouraged. Then Bill Boyd came in, and in a matter of minutes said, "Not a problem. I'll be happy to have my company act as the supervisor"—a very aboveboard decision on his part, because the state could have been in serious trouble otherwise. And he had no idea that he was the last on our list to be interviewed. He wasn't last on our list of choices. It was just that every hour on the hour somebody else was coming in, and for whatever reason, probably for his convenience, he was the last person scheduled for that afternoon.

His decision not only kept the revenue coming for the state but it kept hundreds, or thousands, of people working.

That's correct, and that's what was very important. When the state had tried to close the Aladdin, the federal judge said Aladdin could not close. After that, the Gaming Control Board went to the legislature and got the supervisor statute enacted, so that in the future if they wanted to close an establishment down on an emergency order, the state could go to a state court, get a supervisor appointed, the establishment would not close, and the three thousand, or thirty-five hundred, employees would not be out of work. They're the ones that would truly be harmed if the establishment was closed, and the state did not want that to occur.

Was the federal judge that had ruled on the Aladdin Harry Claiborne?

Yes, sir. [laughter] And it went up to the Ninth Circuit and the Aladdin remained open during that time period. Eventually the Ninth Circuit ruled in the state's favor, but it took a long time.

The management team that was put in was headed by Bill Boyd. Who were some of the executives that helped Mr. Boyd operate the Stardust?

I believe he had Perry Whitt and Chuck Ruthe on his team, and they went into the operation side of the business.

Were Sachs and Tobman eventually forced out of gambling?

Yes, a complaint against them was filed at the time of the emergency order. There was a stipulated settlement on the complaint requiring them to turn in their gaming licenses. But then after the settlement they appealed through the federal court system, trying to have the revocation reversed. It went up to the Ninth Circuit, I believe, and the court held in favor of the state.

Were they also fined?

Yes. I don't remember the amount of the fine, but I do remember that it was the largest fine in the history of gaming at that time.

Let's talk a little bit more about the taking over of the Stardust by a new management team and the gaming control. How did that come about?

We got the emergency order signed by the chairman of the commission sometime in the late afternoon, and we went in around midnight because we thought it would be the least disruptive time and basically took over the casino. The operations continued, but we had agents on the premises non-stop. They were there twenty-four hours a day.

Were all three board members there?

Yes, all three of us were in the casino plus numerous agents, both enforcement and audit agents. The board members just observed. The agents observed in the count room and at the tables as they were counting down the tables. We had every available agent with us at the time.

How long did the board members actually stay there?

We were there until about two o'clock, two thirty in the morning, and the agents stayed there until the Boyd group came in as the supervisor. We were able to get the Boyd group in there within a week. In fact, they might have been in there within days. It was quick, very quick.

Mr. Sachs and Mr. Tobman also owned other properties in Las Vegas. What action was taken at those properties?

They owned the Fremont and they were the lessee and the operator of the Sundance. When the Stardust case was settled, because they agreed to the revocation of their license as part of that settlement, they were given a time period in which to sell the Fremont and have somebody else take over as the lessee for the Sundance. So the stipulated agreement set forth the time period, that they had to be out of gaming in total.

Were all the requirements met in that stipulated agreement?

I believe that the finalization on the Fremont did not occur within the time period, and that the Fremont was actually closed down for a very short period of time pending a sale to the Del Webb Corporation. That happened maybe six months after we filed the complaint, and it was probably a few months after the stipulated agreement had been entered into. The stipulated agreement was still on appeal at that time because they sued the board and the commission shortly after agreeing to the revocation of the licenses.

Did they lose the lawsuit?

Yes. Eventually, the courts upheld the revocation of the license. And Paul Bible, who was chairman of the commission at the time that the stipulated agreement was entered into, really queried Mr. Sachs and Mr. Tobman on the underlying facts of what they were agreeing to—similar to the way a judge takes a plea in a criminal court case. He made them, and their counsel, state on the record that they understood what they were agreeing to. And that became very important to the court on appeal, because it really set forth the fact that they were informed and had knowledge as to the underlying facts and that they were agreeing to the revocation of their license.

So Paul Bible did a very good job?

Yes, he did an excellent job, and it really protected the state years later when it finally went to court.

When you first came on the board, Patty, what was the first major problem or major incident that you confronted?

My second month as a board member, in February of 1983, the Perlman brothers were seeking approval to operate the Dunes. Morris Shenker was selling the Dunes, and the Perlmans were going to buy it. They wanted an emergency participation, which meant that they would be able to go in before the transfer and operate pending the transfer. They had been long-established operators at Caesar's in Las Vegas, and when New Jersey approved gaming, Caesar's went to New Jersey and applied for a gaming license, but New Jersey denied the Perlmans their license. The Perlmans had to get out of Caesar's, and now they were coming back in on their own and wanted to operate the Dunes.

This put the state in a situation where they had to conduct a hearing on persons who had

previously been licensed and acted honorably in the state of Nevada, but subsequently had been turned down in the state of New Jersey. Dick Hyte was the accounting member of the Gaming Control Board, but he had, in his private practice, done work for the Perlman's, so he recused himself and did not sit on the case. So only two board members, Jim Avance and I, heard the case. And I believe it went on for four or five days. It would start about nine o'clock in the morning, and we would have testimony from them—because the burden was on them to show that they were suitable—until about nine o'clock at night. Former Governor Grant Sawyer represented the Perlman's, and it was a lengthy hearing, especially when there were only two board members.

At the end of the Perlman hearing there were a lot of noteworthy individuals that came and testified on their behalf: a number of former Gaming Control Board members, Gaming Commission members, chairmen—former Gaming Control Board chairmen—all of them talked about how honorably the Perlman's had acted in the state of Nevada. My recollection is that they were found suitable, but then the board recommended that they not be allowed to participate in emergency participation because of the financial insolvency of the Dunes. The fact was that the Perlman's then would be operating the Dunes, but they couldn't put any money into the operation, so the Dunes could continue to lose money, and that, in fact, that is what occurred.

The Board said yes, they found the Perlman's suitable, and then the Board recommended that they not be allowed to participate because of the finances; however, the Board was reversed on that at the commission level. That second vote may have been a one-one vote. And at the time there was a determination that a one-one vote would only require a majority, not a unanimous decision by the commission to overturn. The Perlman's, then, did not go through with the deal, so they never became the owners of the Dunes. And the money that they lost during that six-month period—it was approximately six months that they were in for emergency participation—got the Dunes to a point where it had to file for bankruptcy.

Whatever happened to the Perlman's? Were they ever licensed anywhere in Nevada?

No, they did not come back to the state of Nevada. An interesting aside is they did make a made-for-TV movie about the hearing, and I think Rock Hudson played Cliff Perlman.

* * * * *

You were known as being outspoken on many subjects, and also known for your toughness and tenacity. Did these traits cause some members of the gaming community to feel uncomfortable?

Oh, probably so, but I don't know if they'd ever be honest in answering that. [laughter] But I'm sure that they did feel uncomfortable at times. Being young and being the first female, I took the job very seriously. I thought I was there to be a regulator and that regulators were supposed to be somewhat tough, and that there was an appellate body within the commission. So I think that, although I might have been known as tough or tenacious, I don't have regrets in that area. And if anything, I think that I probably was predictable. And when you're a regulator I think the industry wants you to have some predictability. When I was appointed to the Board I had been at the agency for three and a half years as the Board and Commission's lawyer, and the other two members had come from the outside. So I knew the players, I

knew the staff. And because I had been the lawyer I knew gaming law at that point probably better than any other time in my life. I really understood it inside and out.

* * * * *

In August of 1983 a 1.7 million-dollar jackpot was hit at Harrah's Tahoe. Would you tell us about that jackpot?

I remember that the enforcement agents called me at home and said that the jackpot had been hit and everything was fine. A few hours later they called and said it was really strange, because they couldn't find the individual who had hit the jackpot, Mr. Econopoulos. So they started looking for Mr. Econopoulos, and it turned out that they eventually found him in Texas. He had gone to his sister's home in Texas.

Had he been paid the jackpot by this time?

Yes. He had been given a certain amount in cash, maybe a hundred thousand. I can't recall, but it was enough for him to buy a car. He either bought a car or rented a car, but I think he bought a car and drove to his sister's in Texas. When the enforcement agents found him in Texas, he told them that he had this black box, and when he held the black box next to the machine, it rigged the machine and the jackpot he hit was not a valid jackpot. He also said that he had been given this black box to use by a group out of San Francisco and he wasn't the person who knew how the tampering occurred; he didn't know how to do the cheating. He had just been solicited to go into the casino and to be the person who won the jackpot. He was then to give the money to the people who had produced the black box. When the agents called me from Texas a day or two later and told me this story we got the FBI involved, because we needed to get Mr. Econopoulos in some kind of a witness protection program. He was in fear of his life, and the agents thought his fear was legitimate. So we worked with the FBI, got him in a witness protection program, and then worked jointly with them to prosecute the case. It was very interesting because the slot manufacturer [IGT] at the time was adamant that it could not have occurred—that the machine could not have been cheated. Even when we gave them the information that Econopoulos told us, they said it just could not happen. Eventually they made some changes with their new machines, because, clearly, it *did* happen.

There was no doubt that it was a rigged jackpot?

No doubt.

Was this a MegaBucks jackpot?

Yes, it was a MegaBucks jackpot.

Is Mr. Econopoulos still in the witness protection plan?

You know, he was for a long time. He was not young at that time, so I don't know if he's still around. When he was in the program he would call me every now and then. [laughter] They had put him

in a safe house at Lake Tahoe and he was monitored and watched both by the FBI and by the enforcement division of the Gaming Control Board. He befriended some of the agents, and he would contact them after the fact, after we went through trial. Every now and then he would call one of them and they'd let me know he had called. He was quite charming. One night the FBI agents picked me up and drove me up to the safe house. He was a Greek cook, and he cooked dinner for the agents and me. He got very worried in the midst of the proceedings, and if he didn't think he was being treated appropriately, or with enough respect, he would say, "Hey, I don't know if I really want to do this. I might want to get out of here."

It was really the first time that the state had taken on the issue of slot cheating, and after that it just exploded. I think there hadn't been any focus on the amount of money that the industry was being cheated out of up until that time. After that the enforcement division took a much more proactive view on slot cheating, and they even began putting slot cheats in the "Black Book."

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In your time on the Board a better working relationship was established between Nevada gaming regulators and the FBI. Did that come about due to a conscious effort by Nevada gaming regulators?

Absolutely. The FBI had stopped sharing information with the previous Gaming Control Board. Almost immediately after our Board was appointed, we met with the chief of the FBI in Las Vegas and worked out an agreement for the sharing of information. We worked hard to maintain that relationship, because it was important to our background investigators that they have access to the FBI information.

So you had a good working relationship with the FBI all your time on the Board?

Yes, we had a good working relationship and they did share information with us. And, in fact, when the incident with Mr. Econopoulos came about, it was the U.S. Attorney's office that prosecuted; it wasn't a state prosecution. The FBI got him in the federal witness protection program, they charged a federal crime, and the U.S. Attorney's office did the prosecution. It was very unusual in that time frame. But it does show you how we were cooperating and working with the FBI.

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The Gaming Control Board consists of seven divisions. During your tenure, the corporate securities division was created. Would you tell us your role in the creation of that division?

More and more companies were incorporating, more and more corporate issues were coming about, more and more corporations were applying for gaming licenses, so we decided we needed to elevate the corporate position so that it became a chief position within the Gaming Control Board. By doing that we could hire people that were either, by background, lawyers or accountants, who understood corporations and knew how to do a proper investigation into a corporate background that was separate from an individual's background. The creation of the corporate division has greatly benefitted both the Board and the state.

* * * * *

Would you relate to us some interesting things that happened to you while you were with the Board or when you were a deputy attorney general?

There were a lot of interesting things. One happened when I was just a deputy attorney general, so it must have been my first year assigned to the Board. Frank Sinatra was applying to be a key employee at Caesar's Palace, and the investigators asked that a lawyer be assigned to the investigation so that they could deal with one lawyer throughout the investigation, and I was given the assignment. The Board wanted to have a lawyer present when they interviewed Mr. Sinatra in Palm Springs, because they knew he was bringing counsel. I went to Palm Springs with the agents but then they excluded the lawyers from the interview, so I spent eight hours sitting in a room with Mickey Rudin, who was Frank Sinatra's lawyer. He told me about his entire legal career, which was fascinating, because he had actually argued cases before the U.S. Supreme Court.

Later the agents took me with them when they went for a personal view of Mr. Sinatra's mountain home outside of Palm Springs. The agents usually visit the homes of applicants to make sure that the value stated on their application is consistent with what they see in the actual home. And at the time, the head of the investigation—this shows you how long ago it was—when I was traveling with the three male agents, and we were staying in Palm Springs, he made it very clear that throughout the interview, if the agents were in my hotel room, that the door had to be open, or if I was in their room the door had to be open. I was probably twenty-eight at the time, or twenty-seven and I'd never even heard of such a thing. I thought it was very funny.

When I was first appointed to the Board, Steve Wynn contacted me because he was considering doing business in London so I went over to London for a week to meet with their regulators and to review their regulatory process. And that was interesting. When Hilton wanted to do business in Queensland, Australia, I went to Queensland, Australia and met with the regulators there to determine whether or not Nevada would approve their regulatory system. And that was very interesting.

I was counsel when the Commission issued the order to close the Aladdin, and I was there when the agents started to count it down and close it, then we were served with a federal court order—an injunction—ordering that the facility not be closed. It was just an incredible time, both as lawyer and as a board member, just because so much was happening. The gaming industry was changing so rapidly.

You were involved as an attorney and a board member during, possibly, one of the most exciting times in gaming history. Things were in such a transitory situation.

Very much so. It was at a time when the state was working diligently to get the allegations of organized crime and mob activity out of the state and try to clean up its image. And it was just a fascinating time period. Also, being the first woman deputy A.G. was very unusual. And then to be named a board member and to have that kind of visibility there was just constant pressure. There was never a letdown. Being a Gaming Control Board member is an enormous job. There's a lot of reading. You have monthly [she taps once on something for emphasis] meetings, and there's an enormous amount of reading in between the meetings. There are phone calls from the industry all the time. I always felt that the industry set the agenda more than the Board because there was always a problem or an issue that would be raised that would need an answer. And at the same time we were trying to keep operations within the Gaming Control Board working. I would think that any of the board members that you

interview would tell you it's just a lot of work; it's an enormous job.

Could you estimate how many hours a week you worked?

Oh, this is a terrible thing to say, but it was my whole life. I wasn't married at the time. I didn't have children at the time, and I worked, lived, and breathed the job. And then because everyone was watching me so closely—or I perceived they were, because I was female—I decided that I needed to practice something that I'd learned in law school and it was, "Prior preparation prevents poor performance." I made sure I was always prepared—always. I read everything that came across my desk, I read all of the summaries, I involved the staff, I asked hard questions during the rump session, which is the day before a Gaming Control Board meeting when the agents meet with the Gaming Control Board members and you can ask any follow-up questions that you might have found confusing from the summaries. And the agents, I think, hated the process because—first of all, you have to remember that the agents, when they're doing a background check, by the time they finish they know everything about this person, and they've got to summarize it for the Board. So the Board doesn't get the application; they don't get all of the background work. What they get is a written summary of what the agents have done. Then the Board reads the summary and then they meet with the agents who did the investigation for follow-up questions. Clearly, everyone who reads a document comes away with different questions. And then the agents have to quickly go back and try to answer all the Board's questions. It was a tough time for them, and we had a lot of difficult applicants during the period that I was on the Board.

Were there a lot of two-to-one votes when you were on the board?

Yes. I had forgotten that, but yes, there were. I think that I was consistent. I think that if you appeared before me I was the predictable vote, and the issue would be whether you could convince either Mr. Hyte or Mr. Avance or whether I could convince them to go with me.

Were the two-to-one votes usually you and Mr. Hyte against Mr. Avance?

Yes, actually, I think that most of the votes were that way.

Was that because the three of you had different philosophies?

No, I think it was because we were all very independent. We truly would not know how the other board members were going to vote when we went into a meeting. We would listen to what the applicant had to say and then make our decision.

Perhaps we should touch on the fact that on a two-to-one vote by the Board the Commission can approve an applicant with only a majority vote.

Yes. The reason the vote is important is that if you get two board members in your favor, then you only have to get three commissioners—three out of the five, the majority of the Commission—to get licensed. But if the Gaming Control Board unanimously votes a recommendation of denial, then the applicant must get a unanimous vote of the Commission to get licensed, which is not easy to do. They

basically have to reverse the Gaming Control Board's recommendation. Although that did occur when I was on the Board. [laughter]

So some of your board recommendations were overturned?

Yes.

Did that cause any hard feelings?

No, I don't think so. Looking back twenty years, it's hard to remember what you felt at the time. But I think what it means is the system works. The system's supposed to be a check and balance. The system's not supposed to be just a stamp of approval of whatever the Gaming Control Board does. The commission members aren't full time. They come with different backgrounds, and they should view the board's actions in a different light. And the Board has a tendency to be closer to staff, because the staff's working on a day-to-day basis with the Board, and you've got to support your staff. But then the Commission can look at it a little bit differently.

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Let's talk for a little bit about the politics of the Board and the Commission. Do you have any comments on that?

Yes. When I was the chief counsel for the board, my boss (Richard Bryan) was running against my client's boss (Robert List) for governor of the state. And it was a very difficult time. The Board made accusations that the attorney general's staff had leaked information and declined to give them the summaries of the background investigations. This meant that the attorneys would have to go to the Board and Commission meetings basically unprepared, because you wouldn't have read the summaries, you wouldn't know what the issues were in regard to an individual, and you couldn't anticipate what the legal questions might be. The Board or the Commission would ask legal questions that you'd have to answer at a public hearing, so it was difficult. At that time Carl Dodge was chair of the Commission, and if you've ever worked for him or known him, you know he has incredible integrity and incredible ethics and that assisted the situation. But it was difficult to find yourself in that kind of a press battle, because it became public information. I don't think it was really a pretty time or a good time for gaming control, or the history of gaming control, in the state of Nevada.

Were you affected personally by it, other than when you were questioned at the hearings?

It was hard. There was a debate between Governor List and Attorney General Richard Bryan when the issue came up. The press asked why weren't the attorneys being given the summaries and it was hard not to take it personally, because I was chief deputy at the time. And it was also about that same time that the Spilotro case, the constitutionality of doing business on the premises case, and the gaming marker case were before the Nevada Supreme Court. So you worked hard, you tried to stay above it, you tried to be prepared for anything, and you just tried to move forward. Mr. Dodge was a big help. I remember that he had a lot of integrity, and that oftentimes he would ask for lengthy opinions. There was one opinion he

asked for on a speculative offering of stock, because the statute at the time said that a gaming company could not go public with a public offering if it was speculative in nature. That statute had been passed for the protection of the industry, because the public companies wanted to make sure that people weren't speculating in gaming stocks. It's funny in this era to think about something like that.

So I issued an opinion for Carl Dodge on the statute. He wanted a written opinion that looked at the legislative history and background, before a vote was taken. I remember it was a twelve or fifteen-page opinion, and then he shared it with outside counsel, with the company's counsel, so that they understood at least what the advice of counsel for the Board was to the Commission. He would do things like that a lot. He was very much a dot-the-i's, cross-the-t's sort of person. He would call the attorney general's office on a regular basis and ask questions, but he would ask questions before the hearings so that you had some time to think about it, or you had time to do research if it was necessary.

You worked less than two years as a board member. Why did you leave the Board after such a short period of time?

Well, even though I'd only been a board member for just about two years, I'd been with the Board for five and a half years. And then I got a phone call from Bob Maxey telling me that he was looking for a general counsel for the Elsinore Hotel in Atlantic City and would I have any interest in the position. It came out of the blue. I was totally surprised. When I got off the phone I called the person that I usually called for advice and told him what was happening, that I'd gotten this phone call. And he said, "Well, when you leave the Board what would you like to do?"

And I said, "I probably would like to be in-house counsel for a gaming company."

And he said, "It looks to me like you've met your goal. Why are you staying?"

And I thought about it and I said, "You know, this is probably true. If there are people out there that want my services, maybe it's time for me to leave."

Then the other thing that had happened was that there had been quite a scandal with the chairman of the Board, Jim Avance, in regard to his having a female agent drive him home when he had been drinking, and the working situation was not pleasant. When I got the phone call it was like an awakening telling me that it was time to go. The third thing that was happening at the time was that I was about to get married to somebody who was going to be licensed in the gaming industry, and that was going to present problems. So everything combined, it just seemed it was time for me to go. I went over and met with Richard Bryan, and my recollection is I gave him four or five weeks notice and said I'd help out in any way that I could, but that it was time for me to go. I was ready to leave. It was probably in August of 1984 that I gave him notice, and I think I left in September.

After the phone call from Mr. Maxey, I was contacted by Harrah's and after talking with them, when I left the Gaming Control Board I took the position as general counsel for Harrah's West. I think it was about a year or eighteen months after that that I became general counsel for all of Harrah's, and was later promoted to the position of senior vice-president. I spent nine years at Harrah's.

Who was your immediate boss at Harrah's?

Phil Satre.

Was he the person who hired you?

He and Richard Goeglein jointly hired me. Richard was just about to go back to Memphis, and Phil was in Atlantic City prior to moving back to Nevada. They both interviewed me and both hired me, and then I went to work for Phil. Richard had left by the time I started the job, and had gone back to corporate headquarters in Memphis.

I've heard rumors that there is a law called the "Patty Becker Law."

[laughter]

Could you tell me about the "Patty Becker Law?"

Yes, it's kind of interesting to me because you don't want to say that you're treated differently because you are female, but truthfully, that was an era when you were treated differently. When I went to work for the gaming industry there was an outcry: "How could this happen? How could a regulator leave and go to work for the industry?" even though all my predecessors had done the same thing. They had all left the Gaming Control Board and gone to work in the industry, but they were all men.

[laughter]

And when I did it, it was either the catalyst or the final straw. I don't know. But the legislature decided that they were going to enact a one-year restriction that would apply prospectively after the enactment to anyone that took a new appointment on the Gaming Control Board. That meant you'd have to wait out a year after leaving the Board before you could go to work for the industry. The law was passed the January after I left—I left in September—and the press picked it up and talked about it as the "Patty Becker Law." It's a good example of how a woman was treated differently than all the previous men.

Who replaced you when you left the board?

Bart Jacka, who then went on to be chairman after Jim Avance left.

What do you feel were your major accomplishments while you were on the Board?

I think generally being true to my ethics and integrity, and getting a reputation for that. That's something in my career that I'm proud of. I think I worked very hard. I think taking on the Stardust, and the implementation of the supervisor's law for the first time was important. I am proud of my work in the legislature that resulted in changes in the gaming laws. For a period of five years whenever they needed testimony from the state on a gaming law, I would be the one that would testify and try to explain the pros and the cons of the bill and recommend whether or not a change should occur or an amendment should occur. Arguing and winning three Nevada Supreme Court cases is also something I am very proud of. I'm also proud of creating a corporate securities division within the Gaming Control Board, and that I appointed a woman, Gerri Kowitt, to head that division. She did an excellent job.

I also think I just have a sense of pride in the way I handled the job. It's nice to look back twenty

years later—twenty-five years later—and know that you did your best. It's not that I didn't make mistakes. I did make mistakes, and I made mistakes both on the political front and probably on the regulatory front, but they were made in good faith. They were made because I had a belief in what I was doing. I think all regulators make mistakes, but I really do believe that I was true to what needed to be done at that time.

* * * * *

As counsel for Harrah's were there any interesting cases that you were involved with that [you] might want to talk about?

Well, there is one that was interesting on the regulatory front, which is kind of consistent with what we're discussing, and I think it occurred in around 1990. I actually represented Harrah's and argued with the Gaming Control Board about whether or not a licensee could do business in other states. This was after New Jersey, and it was about the foreign gaming law that was being used to prohibit Nevada companies from doing business elsewhere. And I lost at the Board level. I had a two-to one vote, so I had to have a unanimous vote of the Commission to get it overturned, and I was able to obtain the unanimous vote of the Commission. That basically opened up gaming in the sense that it allowed Nevada licensees to participate throughout the United States. And, as we all know from that point on gaming just exploded.

You mentioned earlier that you had worked for Harrah's for nine years. What did you do after you left Harrah's?

It's kind of interesting, because at that point Harrah's moved their corporate offices to Memphis, Tennessee. I had a three-year-old son whose father lived in Reno, Nevada, and all of my support systems were in the state of Nevada. My family is here, so I made the decision that I did not want to move to Memphis, Tennessee, and I left Harrah's.

Within a short period of time I was contacted by Governor Bob Miller who asked me if I would be interested in being his chief of staff. I immediately committed to being his chief of staff and said I'd get him through the next election, which was two years away. It was another fast-paced, high-profile job and it got me back into the state system.

When I left Governor Miller my son was just starting first grade and I wanted to be home more. So I worked for myself for three or four years, and I only took two or three clients at a time so I could be home more. One of my clients turned out to be the Aladdin, and I was doing more and more work for them. And then through a process of negotiation they asked that I work for them full time, but full time would only be three days a week contractually. So I agreed to come back to the Aladdin as a senior vice-president, only working three days a week, because it's hard to be a mom and working full time. It's just hard! I really enjoy my son and my time at home, so it worked out.

Are you married now?

Yes, I'm married to Steve DuCharme, former board member and chairman.

Where did you meet Mr. DuCharme?

A friend introduced us, but Steve had first seen me when I made the presentation for Harrah's on foreign gaming when he voted against me. He later asked my friend for an introduction, but it took him about eight months before he got the introduction. But that's actually how we met—it was at a Board meeting.

So you, a former board member, married a board member.

Yes. [laughter]

Is there a final comment you'd like to make?

Yes. I've been lucky in my career in that I have had wonderful bosses that are truly people of integrity. And I learned from all these bosses. Cameron Batjer, who was the chief justice of the Nevada Supreme Court, is just a wonderful individual. Governor O'Callaghan, Dick Bryan, Phil Satre, Richard Goeglein, and Bob Miller, they're just people of integrity and oftentimes when I had difficult decisions to make, I made the decisions much easier, because I had the support of the bosses and people that I was learning from.

Thank you.

PAUL BIBLE



Paul Bible was born in Reno in 1940 and grew up in Reno and the Washington, D.C. area. Son of Alan Bible, Nevada's Attorney General and U.S. Senator, he graduated from the University of Nevada, Reno in 1962 and completed law school at Georgetown University. After service in the U.S. Army's Judge Advocate General's Corps, he came back to Nevada to practice law, first with McDonald, Carano, Wilson, Bergin, Bible, Frankovich, and Hicks, and later with Bible Hoy & Trachok. In 1983, Governor Richard Bryan appointed Bible chairman of the Nevada Gaming Commission, a position he held until 1987. Under Bible's leadership, the Commission was renowned for revoking the license of the Stardust in Las Vegas. Bible later became a senior partner at Lewis Roca & Rothgerber, specializing in Nevada gaming law. He also taught as an adjunct law professor at the Nevada School of Law.

Paul Bible. Photo courtesy of Paul Bible.

Dwayne Kling: It's December 17, 2003. My name is Dwayne Kling. I'm with Paul Bible in his law offices here in Reno, Nevada. I'd like to start out by asking you when and where you were born.

Paul Bible: I was born in Reno, Nevada, on October 3, 1940, and my father, Alan Bible, a former attorney general, was a long-time politician on both the state and national level. When my father was in Washington, D.C., I spent a portion of the year there. He was elected to the senate when I was a freshman in high school. At that time the Senate and the House would only be in session from January until Labor Day at the latest, so when the family would move back to Reno, I would go to the fall semester at Reno

High School and the spring semester in Silver Spring, Maryland. I went back and forth the first three years of high school, and then the fourth year of high school I spent the entire year near Washington, D.C., in Silver Spring, Maryland.

I returned to Washington, D.C. a second time when I was in Georgetown Law School, and I lived there for three years. Then when I was in the service I was stationed at Baileys Crossroads, Virginia, which is a suburb of Washington, D.C. So I have had three separate occasions in my life when I've lived in the Washington, D.C., area.

You mentioned you went to Georgetown Law School. Prior to that did you go to the University of Nevada?

I sure did. Yes.

So you received your first degree there at UNR?

I did. Yes.

What was your first job after receiving your law degree?

The U.S. Army. [laughter]

[laughter]

When I was at the University of Nevada, there was a compulsory ROTC program. After the first two years, which were required, we had the option of going into advanced ROTC and getting a commission. If you did that you were compensated on a monthly basis by the military, but you then owed them an obligation. So I was a commissioned officer when I graduated from the University of Nevada. I was deferred during my law school time, but when I completed law school, I had a military obligation so I became a part of the Judge Advocate General Corps. It was a three-year obligation, which I fulfilled. I went on active duty in January of 1966, and I was discharged in December of 1968. Then I came back and practiced law here in Reno, so my first job after law school was the army.

When were you appointed to the Nevada Gaming Commission?

April the first, 1983—a little over twenty years ago. I'll never forget, it was April Fools' Day. [laughter] Dick Bryan appointed me; he was the recently-elected governor. He had run the previous November and had defeated incumbent governor Robert List in the general election.

Did you know Governor Bryan prior to being appointed to the commission?

Yes. Governor Bryan had been active in politics his entire life, and I had known him very briefly at the university. We were both members of the ATO Fraternity. Then after I returned from the military, I reacquainted myself with him and I helped him in his first statewide election when he ran for attorney general and was elected. But the first time he ran for attorney general, it was against Bob List, and Bob

List won that election. Then he ran a second time when Bob List ran for governor, and then he ran again against Bob List for governor. Actually, Dick Bryan and Bob List ran against each other twice and they had a draw.

We know that being a gaming commissioner is quote “a part-time job.” How many hours a month did you devote to your so-called part-time job?

Well, I don’t know that I could tell you on a four-year annualized basis. There were periods when I devoted virtually all my time to the job. Those were periods, for example, when we had the Stardust seizure. And then there were other periods when I wouldn’t spend that much time. I would always give up the weekend before the meeting for the reading, and I would, of course, give up the meeting day. But it seemed to me that as the job went on, some of the issues became more routine. But I would say out of a month that I would have spent in the neighborhood of eighty to a hundred hours. I was chairman, so that required much more time. There are a lot of things that the chairman has to do that take more time.

Did you meet with the chairman of the Board on occasion?

Yes, but we usually didn’t talk about meeting items when they were before us. The Board meets the first week of the month, and the Commission meets the third week of the month. So, between the board meeting and the commission meeting, it would be unusual if the board chairman and I would have discussions about matters that might have been decided by the Board. We tried not to do that. But I would have a lot of contact with the board chairman on policy matters and administrative matters, but that would occur primarily by telephone.

In the case of the first board chairman I worked with, Jim Avance, his office was in Clark County, and then Bart Jacka’s office was in Carson, and my office was always in Reno, so we seldom would be together in meetings. We talked a lot by telephone.

At your first Commission meeting you presided over the application of the Perlman brothers, Cliff and Stuart, to purchase the Dunes Hotel-Casino. Would you tell us something about the Perlman brothers and the result of their attempt to purchase the Dunes?

That’s a long story. The Perlmans were two brothers, originally from Florida, who came to the state of Nevada probably in the late 1960s, the early 1970s. They had a small publicly-traded company named Lums that they used to buy Caesar’s Palace. They took Caesar’s Palace public, and they were very successful. And they seemed to be doing just fine until some intelligence reports surfaced that involved them with some unsavory contacts, and it was Clifford Perlman rather than his brother. Clifford was kind of the front guy. His brother, Stuart, was in the background and it was Clifford who was the public face and the one that made the appearances and would meet the Board and the Commission and so forth.

Anyway, Clifford had some dealings with an attorney by the name of Alvin Malnick, and Alvin Malnick was thought to be a front for Meyer Lansky. Alvin Malnick was observed in a series of meetings over the years in a restaurant in Miami called The Old Forge Restaurant that was a notorious hangout for mob guys and was constantly under surveillance by the Federal Bureau of Investigation. And because of these reports, Phil Hannifin and Pete Echeverria, the board and commission chairman respectively, called them in for an investigative hearing and read them the riot act. They said to the Perlmans, “You should

not be dealing with this person. He is an unsavory person. It's a discredit to the gaming industry to deal with people like that, and we don't want it to happen again."

I may be a few years off, but it seems to me that it was within about a year of that meeting that Caesar's entered into a transaction in the Pocono Mountains. There was a very famous honeymoon resort up there in the Poconos, and Caesar's, the company, entered into a transaction to buy it. Alvin Malnick and the pension fund were involved in that transaction. The question was whether or not Hannifin and Echeverria had said to the Perlman, "You individually cannot deal with Malnick," or whether they said to Clifford, "Either individually or through your company you can't deal with him." So Perlman took the position that he understood it to be only him personally and not his company. And when the Caesar's company decided they were going to do an expansion and go into Atlantic City, New Jersey, the New Jersey Casino Control Commission denied them their gaming license application based on the fact that they did business with Malnick after they had been warned by the State of Nevada not to do so.

So when the Perlman came back out to purchase the Dunes—this was my first meeting—I had all that history before me and a denial from a sister state of their gaming application. The Board was the Board that had been appointed by Dick Bryan, so it was a new governor's Board, but the Commission was the old governor's Commission plus me, because the former commission chairman, Senator Carl Dodge, tendered his resignation as a courtesy to the governor. That was my first meeting. And I remember [laughter] someone asked me, "Why did you take that one for your first meeting?" As I think back on it, it probably wasn't very smart, but I figured the governor wanted to get his Board and his Commission in place right away, and that was part of the process.

Anyway, what happened with the Perlman is I voted against Clifford, because I thought it was pretty darn clear that if you were warned you couldn't deal with them personally, you couldn't take a company that you controlled and use that as a subterfuge to get around the warning. And I felt the brother, Stuart, wasn't in the meeting where he was threatened, and while he was a major investor, there was no evidence that he was the one who was making decisions or actively involved, so I did not vote against him. Eventually, the Commission recommended approval with a four-to-one vote for Clifford Perlman and a unanimous vote for the brother. Ironically, the Dunes transaction didn't close and the Perlman never got back into the gaming business.

And I'll tell you, it's interesting how a gaming license denial can ripple through other jurisdictions. After they were forced by New Jersey to sell their interest in Caesar's, the two of them bought a company in Philadelphia that manufactured regulator railroad cars and specialty railroad cars. They got a huge order from the New York subway system to manufacture and build new replacement subway cars for the entire system. However, there was a governmental agency that had to approve that contract, and based on the action in New Jersey, they denied them that and they lost an awful lot of money in that company.

The next thing they did was go into a company called Regent Air, and Regent Air was an airline—for really wealthy people—that only flew between Los Angeles and New York. You would basically charter it one way, or both ways. You would call up and say, "I want a certain kind of champagne on board, and I want a certain meal from a certain restaurant." Then they would make all these arrangements, put it all together and you would have this wonderful first-class, private plane ride between Los Angeles and New York. Well, to operate they had to have a certificate of authority from the Federal Aviation Administration, and they had one but they had to renew it, and they lost it because of the denial in New Jersey. I tell that story to clients who are looking at getting into the system, because who would think that a denial of a gaming license in the State of New Jersey would have those kinds of

ramifications. But anyway, the long story is, I'm told, that both of them died broke. So anyway, that's the story of the Perlmans.

* * * * *

I've been really lucky in the people that I've worked with, especially the executive secretary of the Gaming Commission, who at the time was a lady named Irene Morros; she was a great secretary. She was a lot of the institutional memory of the Commission, because she'd served there for more than twenty years when I came on board. So when we'd get to a tough question, or a tough issue, where you had to scratch your head and figure out the right answer, I would always call Irene and say, "Has this ever happened before?" There were a lot of times it had, and someone before me had struggled and worked out a good solution and I so borrowed it. I figured if they had thought it all through and it worked out well, then that probably was a good solution. And a lot of times it was due to Irene's homework and memory. She'd give me a call and say, "Hey, this guy was before us fifteen years ago. You ought to go back and look at that old transcript."

And I'd say, "OK, send it over," and she'd send it over. She had actually grown up there. She was from Ely, and was married to Pete Morros, who later became the state engineer. While working at the Gaming Control Board as a teenager—they were married very young—she put Pete through the University of Nevada, where he got his engineering degree. She was like a twenty-eight or thirty-year employee, and retired quite young. Having started there at eighteen, she didn't have to be very old by the time she retired. She was not even fifty. A group of tremendous people have worked in that agency as staff people. They're the ones that do all the leg work. They're the ones that go dig all this stuff up, and they're on the road a lot, they often travel under adverse conditions, and they work in places sometimes where it's hostile, but they still do a marvelous job.

My view is you're only as strong as your people. And if people perceive the Board and the Commission as doing a good job, it's because they have a great staff that's turning out that work. Even today, I still, as an attorney, do a lot of work with the Gaming Board and their staff, and it's still a fine staff. And the other thing that you see is the longevity in the staff. You have people like Jack Stratton who spent thirty years with gaming. Jack was the greatest guy in the world to work with. When I was a young attorney and I'd get a problem, I'd go over and I'd sit down with Jack, and we'd close the door and off the record we'd talk about it. I don't know if that happens anymore, but he gave a lot of good guidance to a lot of young attorneys and also to licensees. Another thing is, when you think of an agency that's been around so much cash and so much money, there's been no major scandal in that agency, except we had the one guy in the gaming laboratory who went "south," Ron Harris. But when you think about the hundreds of people who've worked there that didn't dishonor the agency, it's pretty good. I just want to say that the current executive secretary, Marilyn Eppling, is right out of the same mold as Irene Morros. She went to work there as a young woman, and she's virtually spent her entire career there. She was Irene's replacement.

In January of 1984, the Gaming Control Board presented to the Commission a revised reporting requirement, known as "Exhibit A," and the Commission rejected the proposal. Would you give us some background on Exhibit A?

Well, again, this is not a short answer. Exhibit A was a proposed set of conditions that the

Gaming Control Board wanted to put on the public companies that were involved in gaming outside of Nevada. One of the aspects of Exhibit A that the board wanted to make mandatory was that each company would be required to create a compliance committee. A compliance committee is something that originally developed in Nevada when Bally's was first licensed. The Bally gaming license application process was very contested and very close. It was a two-to-one vote at the Board and a three-to-two vote at the Commission, which is really unusual. And probably the reason that Bally got licensed was because they suggested and were willing to implement a compliance committee, which was a committee made up of outside people who were not part of management, but who would be able to overlook to see if Bally was following all of the rules and laws in places where they were doing business. There'd never been a compliance committee, to my knowledge, on any Nevada company prior to them.

After that, there was a lot of discussion about what companies needed to have compliance committees. The Board was of the view that every public company that was going to be doing business outside Nevada needed to have a compliance committee. Now, a compliance committee was an additional level of bureaucracy, as far as the industry was concerned, and it was an additional expense. The compliance committee would report directly to the board of directors of the company, and they were basically a watchdog. When the Board proposed Exhibit A, they had a requirement in there that the five public companies that were doing business outside the state had to create and form compliance committees.

The companies were the Golden Nugget, Bally's, Elsinore—which was the Four Queens—Holiday Inn, and the Hilton Corporation. But there were a couple of objections. From the industry standpoint, companies—for example, like the Golden Nugget, who already were doing business in New Jersey and didn't have a compliance committee—felt that by adopting this Exhibit A, you had to bring them back in and run them through a hearing, and they were opposed to that. But I think there was a philosophical concern by the members of the Commission about whether or not you needed to have a compliance committee if you had a company that was a good corporate citizen and that had not had any trouble. Bally's had had a lot of troubles. They had a background that was problematic, and the Elsinore, for example, and the Golden Nugget didn't have any of those kinds of background problems. Plus, at the time there was only one other jurisdiction that the companies were going into, and that was in the state of New Jersey, which was generally considered to be a legitimate regulatory environment.

So the Commission felt that rather than make a blanket requirement and say, "Everybody has to do it," you'd look at these companies on a case-by-case basis. And if you had someone who had a problematic background like Bally, you would impose a compliance committee. We also felt that the Board was maybe not being consistent, because earlier in the year we'd had a manufacturing company called Sigma, a manufacturer of gaming devices, which had been approved by the Board and the Commission. They were a *very* clean company and there was no requirement for a compliance committee on that company. It was our view that if the Board wasn't going to require a compliance committee for somebody like Sigma, who was a manufacturer and had machines in many jurisdictions throughout the world, why would you want to put them on our Nevada licensees who were in New Jersey? So that was the first objection.

The second objection was that the information they were required to report, we felt, was something that the Board and the Commission already had the power to ask them to report under the existing statute and regulations. They're the same statutes and regulations that you have even now, which basically say that the Board and the Commission have the power to ask licensees to furnish whatever information the Board and Commission ask for. So that's why we took the action that we did. And it

was . . . [laughter] unfortunate, I suppose, as you look back on things, maybe had we had more of a dialogue at the meeting where that was discussed, the Board wouldn't have been so upset. And actually the Board wasn't so upset; Patty Becker was upset. [laughter] She called up the local reporter, and the reporter started calling me, and then the next thing you know the press was reporting a brouhaha between the Board and the Commission and I think it all got blown out of perspective. In terms of the big scheme of matters that I looked at when I was on the Commission, it really wasn't of that magnitude, but it became a news story and that gave it its own life. So that's basically the reason that the Commission and the Board disagreed. If you look at today with Enron and all the bad stuff that we had, compliance committees are now becoming kind of the norm. All the companies now have to have what is called a "corporate governance committee." It's now mandatory with all companies on the New York Stock Exchange.

So as you look back, [laughter] maybe the Board was twenty years ahead of everybody else. But anyway, that's what the Exhibit A issue was about.

So it really wasn't that much of a problem for the entire Board. It was mainly just Patty Becker?

Correct.

Were there any long-term effects on the relationship between the Board and your Commission?

I don't think so. The next thing that happened was the Stardust issue, and that was the biggest deal we had the entire time I was on the Commission. The Board had been conducting a covert intelligence operation and surveillance of the Stardust along with federal agents—the Federal Bureau of Investigation, ATF agents, and IRS agents—because they suspected that there was a skim operation going on. They had conducted this covert operation probably starting in March or April of 1983, and no one on the Commission was even aware of it.

Then in December I was told by Jim Avance (chairman of the Nevada Gaming Control Board) that the Commission should be prepared to accept material from the Board on a disciplinary action, and an action that we were going to be asked to approve. Early in the month, I was given this huge investigative report that had been put together, and twenty years later I can't remember the complete details, but I can tell you that the gist of the skim operation was that a chip runner would leave the cage with a cartload full of cash. He would make his run through the pit and make a series of bogus drops at a series of twenty-one tables on the swing shift on Friday night. Then he would exit a side door with the cart still fully loaded and would be met by a confederate, who would take the cash and leave. The confederate was then tailed so they had a clear track of the money being skimmed out of the casino. It was always on a Friday night on swing shift. And there were always certain key figures who always worked that swing shift. They were the shift manager, the pit manager, the casino manager, the chip runner, and fourteen or fifteen blackjack dealers that always worked that same shift. So it was a fairly good-sized conspiracy. What astounded me when the information was presented to me was the fact that the board agents, and I believe one of the board members, met with the owners of the casino (Al Sachs and Herb Tobman) about a month and a half before this—maybe it was in the month of October—and basically laid this out for them. Told them what was going to happen, how it was happening, told them basically what I've just told you and it didn't stop.

What the Board wanted to do—and the Commission had the authority to do it—was without a

hearing, in the middle of the night, go in after the Commission signed an emergency order suspending their license, and take over the casino. They wanted to do this all like on the twelfth, thirteenth, fourteenth of December. And I said, "You mean you're going to close the casino two weeks before Christmas and you're going to put two thousand people out of work, and you want the Commission to approve that without a hearing?"

And the Board said, "Yes."

I said, "Well, we've got to talk about that." There was a statute that had been recently passed that had never been used. It was called "The Supervisor Statute." And The Supervisor Statute allowed the Commission to petition the district court to get someone who was qualified to come in and run the gaming operation if a license was lost. So I said to the Board, "I won't support closing this thing two weeks before Christmas with no hearing and throwing all these people out of work unless we can get a supervisor in there to keep the place open." So they went back to the drawing boards, did their research and figured out how that would work and what needed to be done and came back to me, after they had it all worked out with the attorney general's office. They had prepared a detailed affidavit that was pages long—I don't know how long it was—that laid out the entire procedure. It required the signature of three members of the Commission in order to take over the casino. It was all going to be done on a Sunday evening without any hearing and without any notice. After I'd looked at all the evidence, I called Governor Bryan. It was a Saturday night and I was going to fly down to Las Vegas the next night, Sunday, because they wanted to close this thing on Sunday night. I said, "I need to talk to you."

He said, "Well, I'm coming over here (to Reno). I'm going to the Prospectors' annual Christmas party."

I said, "Well, why don't you just come by my office?" My office at the time was on Center Street, which was right down from Harrah's. So when he came in he was dressed up in his tuxedo. Bonnie (his wife) was all dressed up, also. She stayed out in the outer room, while basically I took the governor through this whole story. [laughter] And I said, "Governor, what do you think?"

He said, "I think you're the chairman of the Gaming Commission. I've got a party to go to." He threw it right back at me, and the reason he did is that when I took the job, there was a feeling that politics was involved in some of the decision-making at the Commission and the board, and that there was political cronyism. So I had an understanding with Dick Bryan. I said, "If you ever call me up and tell me how I'm supposed to vote, I'm going to resign after I vote the way I think is right." And what he was saying to me was, "That's the way you wanted to have the job. Now you got it." I've always respected him for that. [laughter] But I really did want some help, because nobody had ever done this before. Nobody had ever used The Supervisor Statute. Felix Turillas in Lovelock had his place seized, but that's a lot different than closing down the Stardust right before Christmas. I had asked the Board to get some candidates to be the supervisor, because the Commission had to recommend some people to the district court if we were going to ask for a supervisor to be appointed. I interviewed two guys who used to be with Caesar's, in the board office in Las Vegas, and after they both left the office I met individually with three other commissioners. Skip Avansino, who was a commissioner, was not available, so I met with the three other commissioners and I got their signatures on this order with the understanding that we would soon get a supervisor. There would not be a closure until a supervisor was appointed to run the place. After they put their signature on it, I put my signature on it, so we had the order signed, and I had two guys who had said, "OK, I'll do it." I had told them where I was staying, and when I got back to the motel I got a call from each of them separately about fifteen minutes apart, and they both said, "We've been told that the mob is involved there, we have young families, and we don't want to be supervisor." And I don't

know how Jim Avance did it, but he got ahold of Bill Boyd. And we talked to him, and the Boyd organization agreed to do it.

So that night—it was probably by then two, three o’clock Monday morning—the Gaming Control Board went in and took over the place. The next morning the attorneys for the Commission went to the district court and we got the Boyd Group appointed as supervisor. Within twenty-four hours, Trans-Sterling had retained a very good attorney named Mort Galane. He filed suit against our action, and the first thing he asked for was a hearing before the Commission. The statute was silent. The statute didn’t say anything: didn’t say we had to give it, didn’t say we didn’t have to give it. So I met with our attorneys and they all advised me that since the statute didn’t say we had to do it, we didn’t have to do it. But as a lawyer I just couldn’t buy that. I mean, you take away a multi-million-dollar business like that and you don’t even give a guy a hearing, I couldn’t imagine the courts would ever let that stand up. So we ordered a hearing starting around the fifteenth of December in Carson City. The Board started putting on evidence, and I don’t know how many days we went. Five days, six days, seven days, I don’t remember. We’d start at eight in the morning and go till eight at night. The court reporters were dying, because in court you have a lot of breaks, but here we were all just private citizens with real jobs somewhere and we were forced into this emergency hearing. In the meantime, they got a special writ before the Nevada Supreme Court, and the Nevada Supreme Court said that since we had given them a hearing, they were going to wait until the hearing was over. I can’t remember what day it was, but I was in the hallway when Al Sachs came up to me and said, “I have to talk to you.” So I went into one of the offices in the attorney general’s part of the office building, and when I closed the door he said, “I want to settle this.”

I said, “Stop. I can’t talk to you. You’re going to have to negotiate a settlement with the Gaming Control Board.” So I went and found Jim Avance and they started talking. We then recessed the hearing, and seems to me it took three or four days after that to get a negotiated settlement worked out where basically they surrendered their license and they paid a *very* large fine. This fine has now been exceeded, but for years it was the largest fine ever imposed in the state.

Did Mr. Tobman go along with Mr. Sachs?

Sachs was the principal owner and Tobman had a smaller interest, and Sachs was the guy doing the talking. The hearing room was just loaded with press and people. I mean, it was a big story, because here were all the details of this big skim going on! The Board worked out a settlement and it was a long, long stipulation. So then I went to my attorney general and said, “Well, now what do I do? I think I need to hold a hearing.” When you’re in a criminal court, if a person’s entering a guilty plea, they come in before the judge and the judge makes them be sworn in and say, “I’m guilty, and I plead guilty, and this is my signature.” So I did that, and I’m certainly glad I did, because they then sued us for a civil rights violation in the United States District Court. You asked about whether Tobman went along. [laughter] It’s funny how certain things stick in your mind. I made a mistake when I had that hearing; I did it by telephone. I was up here in Reno and they were down in Las Vegas, and I couldn’t look them in the eye. So I really didn’t get anything except what was coming across on the phone. But I asked Tobman, “Do you agree with this stipulation, and is it voluntary?”

And he said, “Under the circumstances.”

And I thought to myself, “Do I ask under what circumstances and get into that? And maybe he starts saying, ‘there’s coercion and there’s duress’ and I blow the whole settlement.” So I didn’t ask the question. Well, it almost came back to haunt me, because when it was all done, within a month they had

sued us in federal district court for violating their civil rights and all sorts of constitutional violations, again filed by Mort Galane. And the thing that saved that case was the fact that I had taken the time to ask those questions, because it was all right there on the record. And the court quoted, “Under the circumstances,” but didn’t say I should have asked more. It just said that he said, “Yes, under the circumstances,” and that was a voluntary relinquishment of their known rights. That was the end of the case.

Judge Roger Foley wrote the decision—a long, long decision. It went to the Ninth Circuit, was affirmed, and twenty years later I look back at that as being a watershed event in Nevada, because what it really said to the financial world was that Nevada is serious about regulating gaming and we’re willing to do tough things. After that, the coffers of Wall Street started opening up to fund publicly-traded gaming companies and gaming ventures in the state of Nevada. As you look at what’s been built in Las Vegas today, you think twenty years ago none of that was there, it all kind of started with the Stardust thing. I’ve had people from Wall Street tell me, “After the Stardust incident we knew that this was a legitimate, regulated business.”

Something that first appeared bad for the industry, the skimming exposure, wound up being a plus because of the way it was handled.

I think so. And as I look back and I think of all the things I did in the four years I was on the Commission, that was the single most important thing. I have to say that I followed my instincts and my instincts were good getting a supervisor in there rather than closing it down. It would have put two thousand people out of work in Las Vegas two weeks before Christmas and the Commission would have been vilified! Anyway, that is the story of the Stardust, and it had some great fall-out. I will tell you what it was like for the troops in the agency, for the guys in the field: it was like those guys nabbing Saddam the other night. It really gave them a boost. It was like, “We got him,” because they had been working this case for months. They had surveillance there, they had ATF, they had IRS, they had FBI, they had all those agencies. And not a word ever got on the street. They did a great job! And I give the Board and the staff an enormous amount of credit. If the staff hadn’t done such a tremendously thorough job and put together such a tight case, Al Sachs wouldn’t have come to me and said, “Let’s settle.”

You talked earlier about the amount of fines that were levied against Sachs and Tobman. How large were the fines?

Well, the total fine for the individuals and the Trans-Sterling Corporation was three million dollars, and Tobman was fined one hundred thousand, while Sachs was fined two hundred thousand.

Also, their license was taken away and they were divested of their interests, but I’ll tell you, there was an interesting sidelight that developed that caused me to go to the legislature and get the law changed. And that is after the Boyd group started running the Stardust, they started making a lot of money. The Supervisor Statute provided that the supervisor was then to ask the court to sell the property. So there was a period of time—and I can’t remember how long it was—that the Boyd group ran this property basically for the benefit of the state before it was sold. But during the period of time from the order when they took over and were appointed supervisor until they bought the property, they generated several million dollars worth of profit. And under the statute as it was written at the time, the profit went to Sachs and Tobman. I talked to Governor Bryan and we both agreed that wasn’t right. So we went back

and we corrected that so that after they'd lost the license they couldn't get any profits. And I used to think to myself, "If they were skimming and weren't making any money, then if they stopped skimming, it's only logical they'd start making money."

Under the revised statute, who gets the profit now, if something like that would happen?

I looked up the statute. It's NRS 463b200: [and I'm reading] "... and all earnings, except the amount representing the reasonable rental value of the premises." In other words, Sachs and Tobman would get reasonable rental value for the time when the Boyd group was running it, but then the profit would be forfeited and deposited in the state general fund. So it goes to the people of the state.

Did the Commission close any other gaming properties during your tenure?

[long pause] Yes. It was one in which I didn't participate, because it was the Cal-Neva at Lake Tahoe and it involved a licensee named Ron Cloud. I did not participate because just before I became commission chairman, I was involved in a lawsuit against Mr. Cloud and I formed an opinion about him that was such that I could not be a fair judge, and I excused myself. That case involved the filing of the star reels on the old electromechanical slot machines. The board staff had gone in and did an inspection of the slot machines, and they discovered that the star reels had been filed so that certain winning combinations were impossible. There was a hearing and Mr. Cloud lost his license because of that. But that was the only other closure.

During your tenure, of course, the Stardust Hotel with Mr. Sachs and Mr. Tobman was one of your biggest problems. Were there any other applications or events that caused you a lot of concern?

Well, right at the end—it's kind of interesting, this was my last meeting—we had a hearing in which we put Carl Wesley Thomas in the *List of Excluded Persons*, otherwise known as the "Black Book." That hearing caused me a lot of concern as a lawyer, because Carl Wesley Thomas's attorney, Richard Wright, who had been a U.S. attorney for the state of Nevada, raised some very, very compelling legal arguments that I had to wrestle with because of their novelty. Basically what he said was, "How can you put my client in the 'Black Book' when you have issued work cards and let people work who have felony convictions and have all sorts of other problems? You are singling him out and you are selectively prosecuting him." Richard Wright asked to have the Board produce a list of people who had work cards who also had felony convictions. The Board resisted that fiercely and said, "We don't have to produce that."

And I thought to myself, "Well, how do you know if there is selective prosecution if you don't know what you've done with the others?"

I thought it was important, and I ruled that they had to produce it. [laughter] I think we were all astounded at the magnitude of the people who had been allowed to get into the industry and to have a work card that had really serious felony problems. When this argument was raised, he cited a case that every one of us who grew up in the Vietnam era knew all about, and that was the prosecution of Mohammed Ali. Because remember, he refused to step forward and be drafted, and they stuck him in a federal penitentiary, and the best prime years of his career were spent behind bars because he refused, as a conscientious objector, to go to Vietnam. The courts later overturned that and concluded that it was

selective prosecution.

I was very concerned that we wouldn't do the same thing to Carl Wesley Thomas that the U.S. Government did to Mohammed Ali, but the deputy attorney general, who was handling the matter for the board, just didn't get it. He just didn't see the issues as serious and as significant as I did, and I had to step in. For example, I took judicial notice of all sorts of facts and information that properly the board attorney should have been presenting, but didn't. I almost mucked up the whole thing, because I became so involved that the attorney, Richard Wright, in addition to saying selective prosecution, said the chairman took over the job of the board attorney in handling the Carl Wesley Thomas matter.

After the hearing we put him in the "Black Book," and I was convinced that this guy was a lot different from some guy who maybe had a felony DUI, because Carl Wesley Thomas was a ringleader for the mob in showing them and explaining to them how to skim Nevada casinos. He was recorded on FBI wiretaps giving instructions to the mobsters on how to skim casinos in Las Vegas. To me that was significantly different than somebody who got violent and hurt somebody or somebody with a youthful crime or whatever. I mean, this went to the heart and soul and the integrity of the industry. After the commission voted to put him in the "Black Book," it went to a federal court where the judge agreed with us and fortunately didn't think I'd gone too far as when I stepped in to make sure that the evidence all got in the record. But I thought Richard Wright did a fantastic job of raising an issue in a way that you just wouldn't expect it—selective prosecution in the Mohammed Ali case applicable to the "Black Book." [laughter] And really the lawyer part of me just found that whole thing very, very challenging, because this guy's presentation and the way that he handled it was just top-notch. The stakes were not anywhere near like they were in the Stardust, and the human consequences were much different, but from an intellectual standpoint it was very stimulating.

Were there any individuals or corporations licensed during your tenure that had historical significance?

Well, the first one that comes to mind is the licensing of CARMA, which was a publicly-traded corporation headquartered in Canada. They wanted to acquire a property called Bourbon Street, and the issue was that the law at the time did not allow publicly-traded companies that were not registered with the American Securities and Exchange Commission to be able to qualify to get a license in Nevada. So what we had to do was fashion a licensing mechanism that would allow us to register CARMA with the Gaming Commission in such a way that we could treat it essentially the same way that we treated a publicly-traded company that was registered with the Securities and Exchange Commission. We did that in 1984 through a series of waivers, which required CARMA to act and be treated as if they were an American publicly-traded company. That was the first time that a foreign publicly-traded company was registered. I believe the legislature in the next session of the legislature amended the statute, and now it's clear that you can do that.

The other situation which was of historical significance was that we approved for the first time a Nevada licensee's ability to conduct gaming outside the United States. And that was with respect to Hilton Corporation, which was going to manage the Conrad Hilton property on the Gold Coast in Queensland, Australia. At the time the law required that the Queensland regulatory scheme be reviewed by the Board, which was done, and we concluded that they had a comprehensive regulatory scheme in place in Queensland and that the Hilton Corporation could satisfy all of the requirements of Nevada law. No Nevada licensee prior to that had ever been approved to do business outside the territorial limits of the United States. As you look at it now, twenty years later, companies are doing business all over the world,

it's not a big deal anymore, but it certainly was at the time.

We also had a licensing situation that involved a property in Laughlin called The Gold River. That was a limited partnership, and we had a large number of limited partners who in the normal course of events would have been required to have been fully investigated and approved. And what we did, because the limited partners had no voting power, no control, had no say over the operation of the casino itself, is we developed a concept called "delayed licensing." What we approved was that each one of these limited partners had to fill out all of the necessary gaming application forms, including the personal history record and the personal financial questionnaire, and then the Board did what was called a "cursory investigation." They did an FBI scope background check, they looked into these people, and it turned out that none of them had any red flags. So we then accepted their applications but delayed their licensing until a future time. The reason we did that is because we then had jurisdiction over them because we had a license on file that had not been acted on, so if any one of these people ever got in trouble, the Board could call them forward and say, "OK, we're going to activate your license investigation," and we would be able to go through and process the application. So they hadn't been approved, and they hadn't been turned down, but they were in the system and subject to the jurisdiction. Again, based on that, the legislature has approved the concept of delayed licensing in the statute as it relates to limited partnerships and also as it relates to limited liability companies. But that was a new concept and a new method of licensing that had not been contemplated before.

During your time on the Commission, what were your main problems?

We had one problem that every commissioner before me and every board member before me inherited, and that was the fact that Moe Dalitz owned the land under a number of the casinos in downtown Las Vegas. Everybody knew that Moe Dalitz was affiliated with organized crime, with the mob; it was a situation that existed for years and years and years. The Board and the Commission have the authority to call any landlord forward for licensing, but no one had ever done that to Dalitz. As part of the Stardust purchase, the Boyd Group bought other properties as well. They bought the Sundance, and they bought the Fremont Hotel, because they were the three properties in Trans-Sterling, and Dalitz was the landlord. As part of that transaction, one of the things that I really wanted to see accomplished was to get Dalitz out as landlord. And that was accomplished when the Boyd Group purchased the property from Trans-Sterling. I don't remember the exact details, but I do remember having discussions with Dalitz's attorney, David Goldwater, who is Bert Goldwater's brother. Dalitz, you know, had a table in the Las Vegas country club and people went over and kissed his ring every day. It wasn't any secret. He gave a ton of money to charity, and everybody loved him, but he was the last reputational problem that we had, and when the Trans-Sterling sale occurred to the Boyd group, we took care of him as well. That was something that had always bothered me, that he had always been there and everybody kind of blinked or looked the other way or whatever. But he's gone now and the problems are solved. It was just one of the historical situations that existed, and that was the way it was in Vegas in those days.

Well, in that particular circumstance, was he called up for licensing or did he sell the property?

He sold the land outright when the Boyd group bought the property. Instead of just buying the lease interest, the Boyds bought the whole thing.

Did the governor or anyone else in state government ever ask for any favors when it came time to vote on an applicant?

Never. No. No.

Did anyone ever threaten you or your family?

I was never threatened, but I was worried about it. And you have to remember Harry Reid had the same job and the bomb squad removed a bomb from underneath his car. And yes, you got to think about that, and I did. [laughter] I used to kid my wife. I said, "I went to the FBI and I said, 'Do I have anything to worry about?' and they said, 'No, no, don't worry about a thing, but, Mr. Bible, when you start your car, we recommend that you have the door open.'" She didn't think that was funny. [laughter]

[laughter] Did they actually tell you that?

One of them actually told me that, but I think he was pulling my leg.

[laughter] Are there any decisions, votes, or actions that you would change if you had the opportunity to do so?

Hmm. [long pause] I can't think of any specific names, but one of the areas that always bothered me, and I'll bet you every commissioner and every board member will always say that it's when you have to deny work permits. The rules on work permits and sustaining the Board changed during the time I was on the Commission. It used to be that if it had been denied at the board, one vote from one commissioner could sustain that denial of the work permit. That was later changed, I think, to a majority vote. But I can recall some times when I was the one vote. I had four commissioners who wanted to give the work permit back, and these are people that have jobs in the industry that are their only livelihood. As I've mellowed, maybe I wouldn't have been so hard on some of those people. Maybe I would have been willing to give them another chance. Gee, one time a lady showed up and she had her three little kids with her, tugging at her and fussing around and here she's standing up at the podium and they're pulling on her skirt and everything. I don't remember what she'd done, but it was pretty darn bad. And she wanted her card back—her work card back—and I voted against her. I didn't give it back to her! Today I probably would have done it. I will never know what happened to those little kids.

*How would you describe the job performance of the chairman of the Gaming Commission, Paul Bible?
How would you evaluate yourself?*

I feel like I was fair, I feel like I was consistent, and I believe that my approach was always to try and find a way to make it work if it could. It's kind of like looking at a glass as being half full or half empty. You can look at that book of gaming statutes and regulations, and you can either look at it as a whole bunch of no's or a bunch of opportunities. I used to talk to the deputy attorney generals who were assigned to gaming, and I would say, "Well, you guys need to look at that statute as a bunch of opportunities. That statute is expansive so don't just look at it narrowly and say, 'You can't do it!'—look at different places and find a way to try and make it work." And that was my philosophy. For example,

what we did with CARMA was an example, what we did with the Gold River with delayed licensing was an example. Those were ideas that nobody had ever tried before. The idea of using The Supervisor Statute, nobody had ever done that before. So I think that if I evaluate my performance, I have to say that that was kind of my touchstone. I think that's the right way to look at governmental regulation. If you look at it that way, where you have a highly-regulated business like this, you can accommodate the needs of the industry and you can protect the public at the same time. I think that we certainly had some interesting and challenging experiences in four years. You don't even see that anymore. I don't know how long it's been since there's been a contested hearing before the Nevada Commission in a licensing revocation hearing. I'll bet it's been twelve, fifteen years. It's been a long time! And every era of commissioners has a little different task. The challenges today are far different than they were when I was there. It's an evolving task, and that's what's so interesting about it. It's always changing. There's always a new challenge, there's always some new way to figure out a way to solve a problem. I think that during the four years I was there, we solved problems. We got it done.

Did serving on the Commission have any effect on your life or your career after you left the Commission?

Oh, yes. I still do some gaming work, and it gave me a perspective from the regulator's viewpoint that I'd have never had otherwise. I can now understand when I see a problem what's going to bug the regulator. So by seeing that right away, I'm able to start working on figuring out how to solve it. So yes, that's been very important. If I had moved to Las Vegas, where most of the gaming activity is concentrated, I probably could have had a much larger gaming practice, but I prefer to live in Reno. Yes, my time on the Commission had a great impact. I was in my early forties, and I think that those four years were the best period of maturation in my life.

Did you work in the gaming industry after you left the Commission?

No. When I left the Commission, there were no rules about moving from employment in regulating the industry into the industry itself. There were no cooling-off periods. I followed Harry Reid's example. I did a voluntary one-year cooling-off period, and then I went to the legislature and I advocated it becoming a law, which it is today. The revolving door between the regulator and the industry is at all levels of government. And frankly, somebody who has been a regulator is of real value to someone in the industry and can really help them.

When did you leave the Commission?

I left the Commission January 31, 1987. I've got a plaque around here somewhere that says that.
[laughter]

Why did you leave the Commission?

Actually, my term was not up until the first of April, but I felt that the new commission chairman should have the opportunity of being on board during the legislative session. If I had waited until April, it would have been right in the middle of the legislative session, which might not have been the best thing.

Who took your place on the Commission as chairman?

John O'Reilly.

Anything you'd like to add, Paul, any specific observations?

There's one observation I'd like to make, and I don't know whether it's correct or not, but right at the end of my term, Donald Trump, who was a licensee in New Jersey, but not a licensee in Nevada, was involved in buying shares of the Holiday Hotels and Bally's. That was at a time when the takeovers in the business were fairly commonplace, and there was real concern that Donald Trump was going to take over one of those two companies. I got involved as an outgoing chairman and I expressed some concern about that, because we didn't, at the time, have any regulations or statutes addressing someone who comes in and tries to take over a company and then forcing the company to buy him out at a premium. And as a result of my concern, there has now been legislation passed in Nevada concerning the extraordinary repurchase of shares.

But as I look at what Trump started, here's something that I've thought about a lot, and I don't know whether other people have or not. Bally's thought Trump was going to try and take them over, and Bally management decided they had to do something to stop him. There was a statute in New Jersey that said that a licensee could only own two establishments. Bally's owned one, Trump owned one. So Bally's went and knocked on Steve Wynn's door at the Golden Nugget, and they bought the Golden Nugget in Atlantic City, New Jersey, and gave him a very, very favorable price. The reason they did that is they then had two properties so that if Trump attempted to take them over he would violate the law because the combination of Trump and Bally's would be three properties, so that was the way they checkmated him. I've often thought that Donald Trump is in a way responsible for starting what Steve Wynn started on the Strip when he took the money he got from Atlantic City and built the Mirage. Maybe people would say that's farfetched, but I see what Trump did was the triggering event, because had he not gone after Bally's, Bally's wouldn't have bought Wynn's Golden Nugget, and Wynn wouldn't have had the money to go and do what he did with the Mirage. Then all of that burst into those incredible properties that developed in the 1990s. Anyway, that's all I wanted to add.

3

WILLIAM (BILL) BIBLE

William Bible was born in Reno in 1944, graduated from Stanford University in 1967, and earned a master's degree in Business Administration from the University of Nevada, Reno. His father, Alan Bible, served as Attorney General of the state of Nevada and later as U.S. Senator. Bill Bible spent his early career working for the state of Nevada in various aspects of financial management. He worked with the Legislative Counsel Bureau as the assembly fiscal analyst prior to being named state budget director by governor-elect Richard Bryan in 1983. When Bob Miller replaced Richard Bryan as governor, he named Bible the chairman of the Nevada Gaming Control Board, a position he held for nearly ten years beginning in January 1989. Bible headed the Nevada Resort Association beginning in 1999 and left in 2010 to serve on the board of MGM Mirage.

William Bible, 1991. Photo courtesy of Nevada Gaming Control Board.

Dwayne Kling: I'm with Mr. Bill Bible. Mr. Bible, does the University of Nevada Oral History Program have your permission to make available to the public the tapes and transcripts of the oral history interviews that we are about to begin today?

Bill Bible: They do.

Thank you. Could you tell us when and where you were born?

I was born in Reno, Nevada, on May 24, 1944.

Your father, former Attorney General Alan Bible, was a long-time politician on both the state and national level. When your father was in Washington, D.C., did you spend your younger days there?

I did. My father was elected in 1954. That would have made me ten years old. I stayed in Washington, D.C., until approximately 1963, when I graduated from high school. During that time period, Congress would meet, not on a full-time basis like they do now, but they would take a recess for a portion of the summer, and normally would wrap up their work in August and then would reconvene in January of the next year. So during the fall period I would normally come out to Nevada and attend school, and then would transfer back East until I entered St. Albans, which was probably in 1959 or 1960, in which case then I lived back East on a full-time basis.

So when you graduated from high school then, what did you do?

Went to college, like most people of my generation. I headed off to college, and I attended Stanford and started in the fall of 1963.

And you graduated from there?

I did. I graduated in the spring or early summer of 1967.

And then did you go on to further your education?

I did. There was a short intervening period where I attended basic training for the United States Army Reserves. I spent two years at University of Nevada, Reno as a student enrolled in the master's business program.

Well, after you completed your education, I know you had a long and illustrious career working for the State of Nevada. Would you tell us the positions that you held in state government prior to being named to the Gaming Control Board?

Yes. Most of my experience prior to the Gaming Control Board was in state financial management. I started in January of 1971. I had the great good fortune of being appointed chief assistant budget director by Governor Mike O'Callaghan, and I served in the budget office first as chief assistant and then as deputy budget administrator until 1978 or 1979. At that point I accepted a job with the Legislative Counsel Bureau as the assembly fiscal analyst. I served as the assembly fiscal analyst until 1983 when I was approached by Governor-Elect Richard Bryan to serve as his budget director. And I served in that capacity until 1988.

I took a leave of absence for one year and ran Dick Bryan's campaign for the United States Senate. At that time he was an incumbent governor and he was mid-way through his term of office. That election was successful. Richard was elected to the United States Senate. Governor Miller, upon becoming governor, since he was Richard Bryan's lieutenant governor, asked if I would be interested in accepting an appointment as chairman of the state Gaming Control Board, and I did. I would have started

at the Gaming Control Board in January of 1989.

Did you know Governor Miller before he appointed you to the Board?

I did. I'd worked with Bob Miller on a couple of occasions in the legislature. He was district attorney of Clark County. He had been a very strong proponent of some sentencing reform measures and some measures that compensate or provided compensation for victims of crime. And so I'd known him in that capacity. And I worked with him also as Dick Bryan's lieutenant governor. So I knew him both as the district attorney of Clark County and as lieutenant governor during Dick Bryan's second term.

Did you have any experience in the gaming business per se prior to being named to the Board?

I really did not. My brother had been involved in gaming regulation, serving as chairman of the Nevada Gaming Commission when Dick Bryan was governor, but I had not had any *direct* experience. Just like anybody growing up in Nevada, I'm certainly aware of gaming and how gaming is regulated and operated. And I gained some of that experience from my review of the Gaming Control Board and Gaming Commission's budgets as budget director, or as a fiscal analyst, or as a deputy budget director. So I was pretty conversant with the administrative functionings of the board. I had not obviously delved into licensing matters and things of that nature.

As chairman of the Board, did you pattern yourself after any previous chairman? Had you read back into the records and see how different people operated?

No, I really did not. I knew a number of the previous chairmen. I knew Phil Hannifin because Phil had been the chief parole officer under Mike O'Callaghan and was part of the O'Callaghan administration. Mike had then appointed him to the state Gaming Control Board as chairman. Roger Trounday I'd dealt with as director of human resources, and he subsequently was appointed as chairman of the state Gaming Control Board. So I'd known these individuals. And, as I indicated earlier, I had dealt with a number of the chairmen, mostly on budget-related issues. I'd dealt with Richard Bunker, when he was chairman under Bob List, on budget-related issues and those sorts of things. So I was pretty conversant with both how the agency operated and some of the personnel involved in the agency.

Shortly after you joined the Board, gaming was first starting to spread throughout the United States. Of course, it had already been opened in New Jersey for a few years. But you were opposed to the spread of gambling in the United States. Why did you take that position?

Well, the statutory scheme that existed at that time indicated that Nevada licensees had to have the prior approval of the Nevada State Gaming Control Board. Well, through the application process, the Nevada Gaming Commission and the Nevada regulatory authorities essentially prohibited Nevada licensees to engage in gaming—as we describe it, foreign gaming, because it's conducted outside of the state of Nevada—and I was concerned about the proliferation of gaming, that it may not be properly regulated in a number of jurisdictions. And I felt that a go-slow approach was appropriate, that licensees should go thorough due diligence before they expanded their operations into other jurisdictions, and they should be fully aware of the regulatory structures and the political structures of those jurisdictions before

they entered those markets.

Do you still feel that way or do you feel there are good regulations in the majority of the states?

I think there's regulation that one would characterize as good in *most* of the states. It clearly varies from state to state. There are really two ways of judging gaming regulation: one is you can open the statute book and look at the way the organizational structure is created, and then you can actually look and see how it's operated. And there can be a difference between the two. Some systems can have all the attributes described in statute and may not be particularly efficient or effective in terms of how they carry out their mandate. And I felt that Nevada needed to have a go-slow approach so that it was *certain* that in the jurisdictions where its licensees were operating, that there was proper regulation and proper control, and that the governmental apparatus was of ethics so that gaming would not encounter difficulties throughout the United States, because I felt—and I continue to feel to this day—that a black eye for gaming in any one jurisdiction becomes a black eye for gaming in all jurisdictions.

Yes. I believe that, too. In the early years, gaming regulators had to focus on eradicating the influence of organized crime from the gaming industry. During your tenure on the Board, do you feel that there was any mob activity or unsavory persons owning, operating, or controlling any casinos in the state?

I don't believe that the degree of control was as present as it had been earlier. The state and the federal government, and a number of pretty well-attended funerals, were fairly helpful at eradicating that influence in Nevada gaming. When I came on the Board, we obviously had some issues that dealt with the individuals' backgrounds, where there may be some suggestion that there was an organized crime influence, that there was a variety of background problems. But to a large extent, a lot of the issues that we dealt with were financially related that dealt with SEC issues, with corporate filings, with restructurings, with acquisitions and mergers, and those kinds of issues. And I felt I was particularly suited for those types of transactions because of my financial training and my financial background. If you would attend a meeting of the Gaming Control Board or the Gaming Commission today, I think you'd find that a majority of their time is spent discussing—instead of individual suitability, is transactionally oriented where we were discussing the aspects of the transaction and trying to assure ourselves that it's a proper transaction within the meaning of Nevada statutes and regulations.

So it was really quite a difference from the early days.

Again, I think the emphasis has changed. Now, occasionally you would have an application, as I indicated, that would crop up that would have some suggestion of organized crime influence. And in some cases, it would be a suggestion of organized crime influence, perhaps not in this country, but in some other country, as applicants from other countries applied for licenses in the state of Nevada.

So financing is really one of the major issues you were concerned with.

Yes, that would be true. And during my tenure as chairman of the Control Board, we made some substantial changes in regulation 16, which is the regulation that deals with publicly-traded companies, to facilitate the flow of capital and capital investment into Nevada. We modified the institutional investor

regulations. As a matter of fact, we *created* them; we didn't modify them. The regulations were created to facilitate the flow of capital into Nevada so that the industry could build. Clearly, the 1990s were a period of great growth. Institutions such as mutual funds and insurance companies were interested in investing in Nevada, either on the debt or the equity side, but were not particularly interested in being involved in management or control of the property, and because of the size and complexity of their operations did not want to subject themselves to licensure. So we created a set of regulations to allow financial institutions that were so situated to make investments in Nevada, and in exchange for not going through a mandatory licensing, they pledged—and the pledge was verifiable—that they would not be involved in the operations or management of the gaming property. That was helpful in attracting new capital.

It's interesting how the industry and the regulations have changed over a period of time. It's a situation where you can't stay the same; you have to keep changing to keep up with things. And it appears that the regulators have done that.

That's true. And what is also interesting is the basic statutory structure that has been enacted by the legislature has not been substantially changed, or was not substantially changed, by the legislature during my tenure. Instead, much of the work that was done was done under the regulatory grants of authority that were provided by the legislature so the Nevada Gaming Commission could adopt regulations where they felt there was a need to adopt regulations, and had a lot more flexibility.

Have you ever appeared before the Board as an attorney representing a client?

I could not. I'm not an attorney.

Oh, you're not an attorney.

No, I'm not an attorney. And I have *now* appeared before the Board on a couple of occasions in my current capacity as president of Nevada Resort Association to discuss regulations.

If you were going to give advice to an attorney appearing before the Board for the first time, what would be your words of wisdom?

Well, my advice has always been pretty consistent to attorneys. I have articulated on a number of occasions that I think the first thing is be prepared. I think that applies to whether you're appearing before the Gaming Control Board, the Gaming Commission, any other administrative agency, or a court of law. I think you need to be fully prepared. At the point you make your appearance before the Board or the Commission, you are aware because of staff briefings as to what any potential issues have at least been identified by the staff. Now, the Board may have recognized or developed some other issues that you may not be aware of, but it's important for an attorney to have addressed those issues and dealt with them, to the greatest extent that they could, and provided, for instance, supplemental information to the Board in a number of areas where the staff perhaps had provided what we refer to as an "area of concern" within an application summary. I think it's important he recognizes that the Board is a very busy board, that there's a lot of work involved in being a board member, and a board member's time is fairly precious, and that if you seek to have time, that you use it sparingly just because of the amount of work that's done.

Well, I realize that different weeks, or different months, you might spend more time as chairman of the board preparing for the hearings, but how about a rough idea of how many hours a week this job entailed?

Well, everybody that's on the Board or the Commission always complains about the amount of reading you do, and I think that'll be a common thread throughout your interviews of board and commission members. But you're presented normally with a massive set of investigative summaries and material the week prior to a board meeting. You may have some knowledge of the content of that material as you've dealt with on a day-to-day basis the staff operations of the board, but you need to review and digest that material. And it is pretty tough to budget your time, because sometimes a summary, as we call them, or an investigative summary that may number hundreds of pages can be reviewed fairly quickly, but in other times you may have one that's five or six pages that details some complex financing transaction that is a case of first impression. It may take you better part of the day, or maybe almost a weekend to review that and to understand all the nuances and complexities of it. I would typically work probably ten hours on a normal workday. I'm an early riser, so I'd usually make it a habit of being in the office by six thirty, or at least by seven o'clock in the morning. We would work one Saturday every month, or every week, and then before a board meeting work both the Saturday and the Sunday before the week. So I'd take Sundays off just as a normal matter of course, and sometimes Saturday afternoons.

You spent several hours a week every week, week in and week out?

Yes, it can be a grind. And as soon as you get done with one meeting, you have another one coming up. And the chairman has responsibilities that are not shared by other board members. He has a lot of administrative responsibilities in terms of directing the affairs and staff of the agency, and in terms of preparing, for instance, budgets, legislative proposals, and things like that. A lot of that's done cooperatively with the other board members, but each chairman has managed that workload probably a little bit differently.

Yes. In February of 1989, Sheldon Adelson came before the board requesting a non-restricted gaming license for the Sands Hotel in Las Vegas. Also requesting licensing at the Sands was the Aristocrat Hotels of Nevada, Incorporated, headed by Henry Lewin. What problems did the Board have with these applications?

Well, this would have been my second board meeting.

Yes.

I had just gotten on the Board. We'd had a couple of major applications that had a number of problems in them, and this was one of them. I can remember this meeting particularly well. We met up in northern Nevada in the Board's offices over on Williams Street. The application was probably early in the order of applications, and we spent four or five hours asking questions and listening to testimony and it looked to me that we were not going to complete that particular application prior to five o'clock. And so we kind of took it off the calendar and diverted it for a period of time, handled the other applications. We

came back that evening, and my recollection is we picked up the application about six o'clock and we went through it till about two or three o'clock in the morning with the application.

There were a number of areas of concern that related particularly to Mr. Lewin and some personal conduct issues. There was a rather hotly-contested matter. The Board recommended the denial on a unanimous vote, recommended that Mr. Lewin not be approved for a gaming license. I believe there was a split vote on Mr. Adelson and the members of his group. There was one other individual on the application who I think had some difficulties and may have withdrawn at that point. But the long and short of it is that the application as it was recommended by the Board went up to the Commission with a split vote on portions of it and a unanimous vote recommending denial of Mr. Lewin.

Do you remember any specific problems with Mr. Lewin?

They were personal issues that involved allegations of misconduct, sexual harassment, some items like that, if my memory is correct. I don't think I'd want to talk about those in any depth unless I had the transcripts in front of me and reviewed my memory. You have to appreciate that over the course of my ten-year's tenure, I saw thousands of these things, and sometimes when you look back your memory gets a little fuzzy. But I knew there were some issues that related to personal conduct-type issues that the transcripts fully air.

Do you recall that Mr. Adelson stated that it was essential that Mr. Lewin be licensed, and stated that he wouldn't go forward with the deal unless Mr. Lewin was approved?

I do recollect that. I believe he made that statement at the board level and perhaps in summation. And I know he clearly made that statement at the commission level when they considered the application.

What was your reaction, or the Board's reaction? Didn't you feel that he was—not threatening you, but giving an ultimatum of him being licensed?

Well, he'd had a substantial project in mind and a substantial project in vision. He had artist renderings of what now would appear to be the Venetian, and indicated that he would not go forward with that project without Mr. Lewin. The Commission ultimately granted him a license, and then did what I thought was a fairly peculiar thing: they gave Mr. Lewin a gaming license, and then conditioned it that he not be involved in the gaming end of the operation, which was probably a first.

Do you recall a gentleman named Paul Clapper?

I do, but just peripherally. He may have been one of the individuals that withdrew. I don't recollect.

Do you recall, after the Commission OK'd everyone, how long that Mr. Lewin and Mr. Adelson worked together?

My recollection is they worked together for at least a couple of years, and then there was a parting of the ways, as I understood it, for a variety of reasons.

When the Commission overruled the Board on a couple of those instances, what was your reaction to that, or what was the Board's reaction? Did you feel here you just got this job and you made a recommendation and already you'd been overturned?

I can't recollect exactly what went through my mind at the time. And, as you indicated, I was new to the job. I felt personally that the Commission had made an error and should have acted on the application as it had been recommended by the Board. I felt the issues with Mr. Lewin were important. I was obviously concerned, and I was disappointed that the Commission had not adopted the Board's recommendation. I think that was the general consensus of my colleagues on the Board.

We'd talked about this a little bit a little earlier, and in 1989 the first of the mega-resorts, the Mirage, opened. And during your term in the Board several more mega-resorts came on line. Did the evolution of these mega-resorts and multi-million-dollar financing costs change the focus of gaming regulations?

They did. As I indicated earlier, because of the complexity of the financial structures and the arrangements that had been made, they presented a much different level of a review than was done on a simpler application that may have been owned by a sole proprietor. They also had had a variety of other features that invited additional board scrutiny. For instance, a number of the mega-resorts catered to families. I provided guidance to the industry at one point about making sure to police the premises properly to keep children out of gaming areas and things of that nature, and to watch for underage people. There's a wide variety of different types of issues, but, again, they were probably more financially related than anything else as these mega-resorts were constructed.

During the course of my tenure—and I may not have them in the correct order; in fact, I'm sure I don't have them in the correct order—we saw the Mirage; we saw the Bellagio; we saw Treasure Island; we saw the Excalibur; Luxor; Mandalay Bay; Paris, as I was leaving the board; Stratosphere Tower all come forward for licensure. In Laughlin we saw a couple of properties. And up here in northern Nevada, we saw the Silver Legacy as a new property. The Monte Carlo, also, in southern Nevada. So we saw a lot of growth in the industry. And one of the main challenges, really, for the Board during this time period was keeping up with this growth, and the workload that was associated with it, because it not only creates a lot of strain on the investigatory processes for application, but a lot of strain on the audit and enforcement divisions because they have to supervise these properties.

I was going to mention that a few years after you went on the Board, or after becoming chairman, the state was falling behind in the goal of auditing casinos every two and a half years. The length of time in 1996 for audits was three years and two months, and would increase to four years unless more staff was added. Was the legislature receptive to assisting the Board fulfill its needs, not only in the audit division but in all the Board's divisions?

Well, the governor obviously reviews the Board's budget prior to its presentation to the legislature, and then the legislature reviews the recommendations of the governor and either accepts or rejects those recommendations—or modifies them; I won't say reject. But both the administration and the legislature were responsive to the needs of the Board and the Commission and a growing industry. They recognized that there was a lot of growth going on, that they needed to provide additional resources to the

board. And I'm sure that there were various staff members or people associated with gaming regulation that may have felt that there were not enough resources allocated. But I think we did a very effective job at arguing and making the case for additional resources where they were needed, and the Board and the governor and the legislature, I think, responded appropriately.

That's nice that they did that as it certainly makes it a lot easier to regulate and control things.

Well, and the audit issue is a revenue issue. If you don't do audits within a certain time period, you potentially risk falling out of the statute of limitations for audit recoveries. And not only is it a revenue measure, but to a large extent, the audit's functions are regulatory in nature where you're monitoring the internal-control environment to ensure yourself that's it's effective and that it's efficient and it's accomplishing the goals it is intended to accomplish.

Do you recall what time period you got it back down to approximately two and a half years again?

Not specifically as to time period, but as chairman I would have dealt with the 1989 legislature, the 1991 legislature, the 1993 legislature, the 1995 legislature, and the 1997 legislature. And all of those sessions were responsive to the needs of the Board, and in some instances they would augment staff levels over those recommended by the administration. And in the competition for state resources I think that we did very well, as I indicated earlier, and that both the governor and the legislature were responsive to the regulatory apparatus's needs.

Well, how long was it between audits then when you left? Was it two and half years?

I believe we were operating on a schedule of about two and half years. I don't have the figures in front of me so I couldn't completely verify that. That's sort of a technical question. But we had brought the audit time frame down. Since I left, I understand there's been some further changes, and certain classes of licensees are audited less frequently. So there have been some further improvements made on the audit system. But I always felt that the audit division was staffed with, in my viewpoint, knowledgeable and dedicated individuals, in our struggle to keep up to date.

In August of 1991, even though the Board recommended denial, the Gaming Commission voted to allow Caesar's Palace and Hilton to operate casinos in other states and countries without prior review by Nevada gaming regulators. What was the significance of that action? Or why did the Board deny them?

Well, this resulted in a series of differences between the Board and the Commission on licensing matters. At that time the Board felt concerned, as I had indicated earlier, and I personally felt concerned about allowing licensees to open casinos in other jurisdictions until the state had had an opportunity to satisfy itself that the level of regulation and governmental structure was adequate, so that if any instance occurred, that there would not be any disrepute or black eye brought to the gaming industry, or specifically to Nevada. The Commission has the final say on those particular matters, and they overturned the Board's recommendation and allowed those companies to seek opportunities throughout not only the United States, but throughout the globe, without having the Board and the Commission involved in the decision, and they were hotly contested matters. The Commission is the final arbiter of these matters, and

they chose to make a change that was not really general application. It later became general application, but on these specific applications to make a policy change, in the manner in which these matters had been handled.

So they could operate differently in one state or one country, differently than they'd had to operate in Nevada?

No, what it really meant is that instead of having a prior approval where the state would look at the application or look at the request for a company, say company X, to operate in jurisdiction Y, the state would go into jurisdiction Y and would make an evaluation of the regulatory structure and the political climate, the nature of the business that was going to be operated, and ascertain that the associations that the company was going to be involved with—if there were partners in the business—if the financing arrangements were adequate, that the regulatory structures were sophisticated and well staffed, and in the whole variety of areas, before granting approval to operate in those jurisdictions. The Commission felt that that was—and I would not want to put words in their mouth, but they seemingly indicated that that was—overly burdensome to Nevada licensees, and that they felt that licensees should not be restricted in that manner.

That's the way it is now, currently?

That's the current situation. The legislature ultimately modified the statutes to some extent to accommodate that policy decision.

Do you think that eventually proved to be a benefit to the state of Nevada?

Well, as you know, some of Nevada's licensees have gotten involved in other jurisdictions in some controversy. Perhaps some of those controversies could have been avoided if the state had had greater oversight and as licensees got involved in these opportunities.

In February of 1995 the Avi Casino near Laughlin was licensed. Would you tell us about the significance of that licensing?

Well, there are a couple of significances of the licensing. The state had entered into an agreement—and I'll call it an agreement at this point, although subsequently it would have been renamed a compact—with the Mohave band of Paiutes, and they wanted to become involved in gambling and gambling activities. And, of course, that presented, at that time, a number of difficulties because the tribe felt that they were solvent, that they should not be subject to the jurisdiction of the state on these matters. But it was ultimately accommodated through an agreement between the state and the tribe, where the state agreed to regulate the gambling activities, should they occur, down along the Colorado River in the event the tribe agreed to full state jurisdiction so that they would have the same regulatory and licensing structure as any other casino throughout the rest of the state. The agreement actually became the model for the Indian Gaming Regulatory Act, which was adopted in 1987 and was largely patterned after the Avi agreement as an example of tribal-state cooperation to achieve the purpose of allowing a tribe to participate in gambling. The actual application came a number of years later.

And the significance is that it was really the first tribal casino that was licensed in the state of Nevada. It was subject to full state licensing review and regulatory oversight. There were some moderate payments that were made to the state to offset regulatory and licensing costs. They were not subjected to the gross revenue provisions of Chapter 463, and served, as I indicated earlier, as a model of the arrangements that could be made between a state and a tribal government that wished to operate gambling.

Now, as we discuss this, your readers or observers of this transcript will recognize that this is a different pattern than exists in other places in the United States. And the prime reason for that is because of the large number of gaming licensees that are involved in Nevada. And the tribe, in my opinion, felt that in order for them to successfully compete against other commercial gaming operations within Nevada, they had to be subject to the same regulatory apparatus, or else the tourist may somehow feel that there was a lesser standard in effect and that they were not appropriately regulated, that maybe questions of a player dispute would arise or whole wide variety of other things.

Now the state, after that first agreement, entered into a number of other compacts with a variety of tribes throughout the state. And there are a couple of tribes now that are operating gambling, but none as extensively as the Mohave band of Paiutes. And that project has had, quite frankly, mixed success. They've struggled; they've had some difficulties. Some of them may be locational in nature, and some may just reflect some of the changing marketplaces. As you know, it's very close to the Arizona border, and Arizona has substantial tribal gaming, which has affected not only the Avi market but also the more general Laughlin market.

How many Indian casinos do you think there are in the state of Nevada now?

Well, if I can name them, we have Avi. The Moapa band of Paiutes operates a small casino. I'm also referring to slot operations. They may not necessarily have tables, but they have 150 or so slot machines, I believe, in their smoke shop along I-15. The Washoe band of Paiutes, I believe, operates either one or two locations with slot machines in them. There are a number of other compacts that are currently enforced that do not have gambling. And additionally, the Snow Mountain band of Paiutes—boy, you're taking me down memory lane—in the northern part of the Las Vegas Valley operates a golf course, and they do have some gaming in their smoke shops. So there are probably four or five, maybe six locations that have some form of gaming. And there is Sutcliffe's out at Pyramid Lake that also has gaming, and that's operated by a route operator who's in there by virtue of a compact. And I believe he's on location or premises that are non-tribal operated, if my memory's right.

[laughter]

That's a long answer. I think that's about what you've got now.

And they all operated the same way; they're all under the Nevada regulations?

They are. They're generally smaller operations, and the gambling is associated with the sales of cigarettes and tribal-type items.

SHANNON BYBEE



Shannon Bybee was born in Tropic, Utah, in 1938, and grew up in Ely, Nevada. After working as a military policeman and deputy sheriff, he received a law degree from the University of Utah College of Law. Bybee was appointed to the Gaming Control Board by Governor Mike O'Callaghan in 1971. Upon his departure in 1975, he worked in private practice for several years. In 1978 he joined Steve Wynn's Golden Nugget Inc. as a vice president and later ran Wynn's Golden Nugget in Atlantic City. He then served as chief executive of the city's Claridge hotel and as president of a slot maker that would eventually become Alliance Gaming Corp. In 1994, Bybee joined the faculty of the William F. Harrah College of Hotel Administration and the William S. Boyd School of Law. In 1996, Bybee was appointed executive director of UNLV's International Gaming Institute. He died in 2003.

Shannon Bybee. Photo courtesy of Shannon Bybee.

Dwayne Kling: Good morning. This is Dwayne Kling. It's December third in the year 2001. I'm with Shannon Bybee in his office in the Fulton building on the UNLV campus in Las Vegas, Nevada.

Shannon, does the Oral History Program of the University of Nevada have your permission to make available to the public the tapes and transcripts of the Oral History interviews that we are about to begin today?

Shannon Bybee: Yes.

Shannon, when and where you were born?

I was born in 1938 in Tropic, Utah, which is near Bryce Canyon National Park.

How long did you live there?

I lived there for less than a year, then moved to the Ely, Nevada, area where I did all my schooling through high school. Actually, even some off-campus courses after I got out of the Army.

Are you married now, Shannon?

Yes. I'm still married to the same woman. We have five children and eleven grandchildren.

What is your wife's name and where did you meet her?

Her name is Norma Reid, and she is from Lund, which is thirty miles from Ely. I was the deputy sheriff in Ely after I got out of the Army, and she was working across the hall from me in the assessor's office.

When did you get out of the Army?

In 1961.

Did you enlist in the Army? Was that going to be your career?

No, no. I enlisted because I wasn't sure what I wanted to do, and I figured that gave me three years with no pressure about deciding a career. I had two uncles who were police officers in Cedar City [Utah], where I went to junior college before going in the Army, and my dad had been a company cop for Kennecott. He was a security guard deputized by the county for McGill, Nevada, where the Kennecott smelter was. I knew her older brothers. I knew her dad, but did not know her until I met her in the county building.

Where were you stationed in the Army?

I spent my entire enlistment, after I got out of the military police school, at the U.S. Military Academy at West Point.

What did you do after you got out of the service?

I went back to Ely. I worked for a brief time for Kennecott and then became a deputy sheriff, ran the office and the jail. We had other people who could write tickets, but not all could, or wanted to, handle the paperwork, and I could handle the paperwork pretty good.

How did you get from the Ely area to Reno?

Well, my sheriff got beat in an election, and I realized that this was an uncertain vocation. Even though the new sheriff wanted me to stay, I decided it was time I'd better go on and get a college degree. So I went to Reno and enrolled at the University of Nevada, Reno, and studied political science in preparation for law school.

Did you have to work to finance your education?

I sure did. The first job I found was at Harrah's and for six weeks or so I worked as a change person, and then an opening came up on the sheriff's department. I had letters of recommendation from the sheriff, the district attorney, and the district judge, and so I was hired when a job opened up in the sheriff's department, working in the jail. That worked out good for me going to school as I could study at night. I worked two swing shifts, two graveyard shifts, and one day shift, and that one day shift was on Sunday.

Were you working forty hours a week?

Oh, yes, at least. Occasionally I worked extra duty, such as at the Harolds Club gun club. I worked security on that, which we got paid extra for.

They had gambling at the gun club on various shoots?

Yes. And they set up tables and a few slot machines.

Were the Washoe County sheriffs hired on off-duty time? Was it like a moonlight job for them?

Right, and it was good extra money. It was periodic; I worked just when they'd have a big tournament or something, and I worked there from 1963 to 1966.

You said when you went to the university you majored in political science working towards a law degree. Did you have some motivation or some specific reason for deciding to get a law degree?

Yes, while I was working in the sheriff's department I got to know the district judge in Ely, Jon Collins, and acted as his bailiff often, or when he needed one, and I took a business law class he taught in Ely for UNR. He gave me an "A" and told me I could be a lawyer, and I'd never even considered that I had that capability. But that got me thinking about it, and I decided I wanted to do it.

So one man turned your life around?

Yes. Yes. And by the time I finished law school, he was chief justice, and I became his law clerk. He later became a partner in the law firm of Lionel Sawyer & Collins.

Where did you attend law school?

The University of Utah from 1966 to 1969. I finished second in my class.

Did you have to work while you were going to law school?

No, fortunately they had passed the G.I. bill just before I went to law school. I had some good timing. [laughter] So between that and government loans that I didn't have to make the payments on until after I graduated, I was OK.

Did you have any children at that time?

Oh, yes. I had two when I started law school and one more while we were there.

When you completed law school, did you go to work for Jon Collins?

That clerkship didn't start till the fall, so that summer I clerked with the Woodburn firm and worked mostly with Procter Hug. That was a great experience, and, of course, he later became a very important man in legal circles as chief judge of the Ninth Circuit.

So you worked for Mr. Hug in the summer and then you clerked for Mr. Collins?

Right. And when the clerkship ended the next August, I came to Vegas.

What precipitated your move to Las Vegas?

The judge was going to retire at the end of his term, the end of the year, to go in with Lionel Sawyer, and he wanted me to come with him. But I never did practice with him, because Mike O'Callaghan called me in December after he won the election, and asked me to go on the Gaming Control Board.

So you went on the Board a year and a half out of law school.

Yes.

How did you know Mike O'Callaghan? What caused him to call you?

Harry Reid, who was elected the lieutenant governor in the same election, and I were students together at College of Southern Utah, a junior college in Cedar City, Utah. And Mike was good friends with an uncle of mine. They both trained fighters and had matches between their two teams. So he knew of me, and when he was chief juvenile probation officer he came to Ely once when I was on the sheriff's department, and that was the first time I had met him, but he was well aware of me because of my uncle. However, I think it was Harry [Reid] who recommended me for the Gaming Control Board.

You mentioned you went to College of Southern Utah. Was that prior to going to UNR?

Yes. That was before I went in the Army.

Had you applied for the Control Board?

No, I never did even think about it. After the governor asked me to do it and I agreed, I had to grab the statutes and see what it was I'd agreed to do. [laughter] I'd heard "board" and I'd heard "commission," but I thought there was just one entity. So I knew nothing about it, or about regulation or about the activities of the Board and Commission.

You'd already moved to Las Vegas, so did you stay in Las Vegas?

Yes. I was really in charge of the Las Vegas office for the Board.

You were perhaps the first member of the Church of Latter-Day Saints appointed to the Gaming Control Board, and of course, a large segment of the Nevada population are of the same religious belief. Do you think your religion had any bearing on the appointment?

I don't think so. When I went to junior college Harry [Reid] wasn't a Mormon; he joined the church later. There was an LDS stake president who was on the Commission before me, but I was the first one on the Board. I think I was appointed because of two things: one, I qualified as an attorney; and two, my background in law enforcement.

What are the qualifications of the three people who are on the board?

One has to be an accountant and an expert in gaming. We decided that was Jack Stratton. One has to have a law enforcement or a legal background. Then the chairman has to have five years of administrative experience, and that was Phil Hannifin.

Who did you replace on the board?

Keith Campbell.

Did you know Phil Hannifin or Jack Stratton prior to your appointment?

I did not know Jack. When I was a junior in high school I went to Boys State, and Phil Hannifin was one of the counselors there. So I knew him. I had met him, but had little contact with him after Boys State until I went on the Gaming Control Board. When I was working my way through college he was chief probation officer in Washoe County. And when we took in juveniles, he would come there to talk with them, so I did have some contact with him in that capacity.

Jack Stratton was from Ely originally, wasn't he?

Yes. Well, from Cherry Creek. That's about sixty miles north of Ely. It's a small mining and ranching town.

During your four years on the Board, did the makeup of the Board remain the same?

Yes.

During your time on the Board Jack Diehl and Peter Echeverria were chairmen of the gaming Commission. What kind of relationship did you have with those two gentlemen?

I think I had a good relationship with both of them. Being an attorney helped some, I think, but what helped even more with Echeverria was that Pete was from Ely. [laughter] So we had a natural affinity and got along, and even though we had opposition on some issues, I always respected him very much and liked him. But I'd attack him as much as he'd attack me.

Are you of the opinion that during your tenure on the Board the Commission controlled the power in the gaming industry but that the Board was influential in determining the direction of that power?

Oh, technically that's the way it's supposed to operate. The Board has a lot of power by virtue of the fact that we have the staff. We do the investigations on the Board. The Commission gets what we give them, in a sense. A lot of things never get to the Commission. So the only things the Commission is dealing with are the actual granting of licenses and disciplinary hearings. Everything else is handled by the Board. So the real power, I think, is in the Board. The Commission, [in] terms of setting policy, adopts the regulation, but it was usually the Board that wrote the regulations. The Commission certainly didn't have any more power than the legislature gave it.

The Board had the practical power and the power of information because we were the source of information. I think the greatest source of power for the Gaming Control Board is the control of the information and the control of—for the most part—who is disciplined, and bringing actions in front of the Commission to discipline people. The Commission didn't have a lot of time, and it was a pretty heavy reading load. The materials that they were furnished every month were probably a couple of inches thick, and I think today it's probably in two or three volumes. But there's always been a real burden, I think, on a part-time body like the Commission to get the truth out of the material.

And all the Commission members don't live in Las Vegas or Carson City.

Right, they were spread around the state, while the Board was talking and working together every day.

Would you explain the regulation determining the necessary action of the Commission if the Board voted for or against the approval of an applicant or an application?

If the Board recommends approval of an application, the Commission can either grant it or deny it. If the Board recommends denial, then the Commission has to license them by a unanimous vote. So the Board can require the Commission to have a unanimous vote by recommending denial.

During your time on the Board was there generally an agreement between the three members on the final vote, or were there a lot of two-to-one votes?

There were a lot of times when we didn't know sometimes how we were going to vote till it came down to when it was time to cast the vote. At least that was true for me, and we did not discuss the outcome. Jack Stratton was more conservative than Phil or I. I made probably 99 percent of the recommendations, particularly for denial, because when I'd been a law clerk, the Supreme Court had a case in front of them where they were concerned about the fact that there was no information given to the applicant, so he didn't know what it was that they had denied him for, and that bothered them. So when I was on there I would make sure that in the public record there was sufficient information to justify and to support a judicial review if that were obtained. Before I would make the motion for denial I would ask questions and get the applicant to admit to things so I didn't have to go in to our report, other than to say, "Did you do this or do that?" And then I would make my motion with those grounds as the grounds for denial.

Sometimes was it difficult to get the applicant to actually state these things that you already knew?

Not really. No. They want the license, and they know if they lie they will be denied. And most of them had counselors, so counsel would advise them that if they didn't answer the question they'd get denied. [laughter] So we had them between a rock and a hard place.

Was there usually an agreement between the three of you when the final vote was made?

More often than not, yes. However, I think we had Jack nervous all the time with our votes and he thought were going to end up getting challenged and have the courts take away some of the powers that we were exercising.

Did it ever happen during your tenure that the Board was challenged or the Commission was challenged?

Not on the licensing. I jerked some work cards and got set back on those. Court ruled there was no provision for review of the work cards or revoking a work card, so I had to get legislation to change that.

Would you explain the difference between a work card and a gaming license?

Well, a work card involves going down to the local police, for the most part, and if local police doesn't do it, then you get it from the Gaming Control Board. Basically, it involves getting fingerprinted and getting a report back on the fingerprints. And then if the Board didn't want the person to have one then they could object to the issuance of the work permit by the local police, which we did a number of times.

Who has to have a work permit or a work card?

Anybody in a gaming position, and a statute lists them. Basically it is anybody on the casino floor who handles money or cards, dice, the cage, finance positions, that sort of thing. Clark County had expanded it to include maids and other people. But under the state statute, the only ones mandated were

people who worked in the casino.

So Clark County is the only one that required work cards in a non-gaming department?

Clark County and City of Las Vegas. But that's changed recently as a result of [a] lot of opposition to it. People felt that maids and those kinds of jobs shouldn't have to be submitted to the same requirement as people in the casino.

So the work card is for anyone that works in the gaming business, to a degree. What is a key license?

Well, there are licensed owners and directors, officers, and key employees. Key employees are basically people who are not officers or shareholders, and so they're not licensed in those capacities. They're licensed because of their position as a key employee. They are people who make credit decisions, who are in charge of things like the cage, casino operations. It's fairly broad, but those are the positions that normally are required to be licensed as a key employee.

Is it up to the Board to call these people forth to be licensed?

Basically, the Board goes to the Commission and recommends they be called forward, and then the Commission makes the decision whether to have them apply.

So the casino doesn't present someone to be licensed as a key employee?

No. But the Board doesn't investigate a lot of key people. So sometimes if you've got a casino host, or somebody like that, and you get a request to submit him for licensing as a key employee, you know that they must have something or they wouldn't be asking you to submit him for licensing and pay for the investigation.

Was there ever any political pressure, or pressure of any kind, put on you by anyone to vote for or against an applicant?

No, there wasn't. Mike O'Callaghan was very good about that. I can remember, though, when we had the Dunes case with Morris Shenker, we got a call from the governor, and he said we had this big matter coming up and he'd gotten lots of phone calls from both sides and he wanted us to make a decision based on the evidence. That was it. That was the only time he ever contacted us about a pending matter. The governor was very good about that. I mean, he didn't try to meddle. And if anybody complained about us and wanted to meet with him, he'd always have one of us present.

During your tenure on the Board, how would you describe the relationship between the Gaming Board and the Gaming Commission?

Overall, I think it was good, a good relationship. We socialized after meetings, and sometimes a commissioner who was a successful businessman would buy dinner, but never with the state's money. So it was a good relationship, but it didn't mean we agreed with them all the time. I used to tell them that we

granted justice and they granted mercy.

There were times when we knew that they would overrule us, and we told them we didn't care but we wanted to deliver a message so other people wouldn't think that getting licensed was an easy thing to do. So if we did get a unanimous recommendation for denial, we might tell them we were not too concerned about it. We just wanted to make sure that people know that this isn't automatic, that they're going to have to convince not only the Board but also the Commission.

So you had no problem in most cases if the Commission did overturn your decision?

No. And in the first place, I don't remember any real disagreements. That doesn't mean we didn't have any, but I don't recall any. But I believed, and I think the Board believed, that we had our role and they had their role. And if you were supposed to vote the same, you wouldn't have to have two bodies.

That's right. [laughter] When you sent a two-to-one approval or a two-to-one denial to the Commission, was that vote meant to imply anything to the Commission?

No. We might individually mention to them we didn't care if we got overturned. If it was a close one, we wanted to make sure the applicant got the message that they were going to have a similar problem with the Commission.

Did all three of the board members attend the Commission meetings?

Yes. But I was usually the most vocal. [laughter]

Was that true in the board meetings or just the commission meetings?

Probably both, although sometimes Hannifin and I would trade off asking questions. While I was looking something up, he'd be asking questions, and when he got his questions answered, then I'd start asking questions, as he was looking for something else to ask them about.

As I mentioned earlier, I read several transcripts of the board meetings when you were with Mr. Hannifin and Mr. Stratton, and you seemed to always work well together.

Yes. And under the statutes the one board member who handles the investigations has a police or law background and the person with the financial background usually does the audit, and then there's the chairman. But with ours, it was more of a north-south thing. I had all of the divisions, and anything that was occurring down here I was usually involved with, and if they had a question or an issue they would come to me. We didn't have a full staff of attorneys. We only had one part-time deputy attorney general for several years, and so they would come to me if they had problems, personnel problems, et cetera, even though their division chief would be in Carson City. Audit, on the other hand, was down here. Dennis Gomes was our chief of audit. He was stationed here. So we had myself and one division chief who were stationed here.

Where were the gaming board offices?

Originally they were in what was then the First National Bank building, right across from the courthouse. I think it's the Wells Fargo Bank now.

* * * * *

In 1967 the Corporate Gaming Act was passed in the state of Nevada. How would you rate the importance of this act?

I think it was extremely important to the growth and success of gaming in Nevada, because it gave the industry access to clean money, and that was very important particularly for long-term growth. There was a lot more money on Wall Street than there was anywhere else. The teamsters' pension fund financed a number of places in the early 1970s, but even then, they were limited to what they could do. So the growth of public companies really helped to improve the industry in financing. It also created further separation of management and ownership; therefore, the interests of the state and the shareholder were parallel. It gave those two segments, the government—us—and the shareholders a good oversight of the gaming operations.

Did it eventually do away with the need for teamster money as far as loans were concerned?

Yes. That was a culmination of things, but it also went through a federal imposition of control over the Teamster Union, that had had their problems with the feds. So I think they would have been out of those Teamster loans anyway.

What were some of the problems that the Corporate Gaming Act created?

I don't think it created any problems that weren't there already. Some people said, "Well, you've got all these shareholders that you don't license," whereas under the old law, every shareholder had to be licensed, which obviously limits the number of shareholders you can reasonably have. But there were enough instances of hidden ownership to make it clear that the fact that you were doing an investigation didn't mean that they're not going to try to do something. Some of those hidden ownership cases didn't come to the surface until after they were licensed. The public company issue focused on who controlled the company, and I think that's the real issue anyway.

Eventually, were regulations or statutes passed that determined who had to be licensed in the corporation?

Yes, we adopted regulations fifteen and sixteen after a number of hearings and discussions with the industry, and people from Wall Street. New York attorneys for Caesar's spent quite a bit of time on it. I think the quality of what we did is evident by the few changes that have been made, and those changes have usually dealt with new issues, not correcting past problems.

Were regulations fifteen and sixteen adopted during your time on the Board?

Yes, in the early 1970s.

What were some of the fine points of regulations fifteen and sixteen? Did they cover who had to be licensed in the corporation?

Yes, they actually dealt with both public and non-public corporations. Regulation fifteen was for privately-held companies, the old standards or the old types of most licenses, and regulation sixteen addressed public companies. In public companies officers and directors were required to be licensed, and controlling shareholders if they owned 5 percent or more. They could investigate anybody they wanted, but normally they wouldn't call anyone up for licensing unless they had five or more percent, or unless there was some problem with them. The 5 percent related to the regulation 13-D report where the SEC requires anybody who is accumulating stock ownership and reaches that level to file with the SEC and indicate whether they're trying to seek control or if they are simply investing. I think that was one of the main reasons for that 5 percent. In one sense, 5 percent was, and is, sort of a presumption, but a rebuttable presumption of control. If somebody has 50, 60 percent, somebody with either 7 or 8 percent is not in a position to control anyway. But it was automatic at 10 percent. That was the maximum allowed, 10 percent. At 10 percent you automatically had to submit for licensing.

Do those same figures still remain today?

Yes. They did make one change in the 1980s when they had some bankruptcies here, and as a result of the bankruptcies, lenders ended up with equity. They thought they were loaning money; instead, they were buying equity, and so they went to the legislature and got it changed to 15 percent. That happened to be what was necessary to take care of the largest lender, which was Fidelity Investments, who had bought a lot of the bonds and that sort of thing. That change was done, I think, in the 1980s.

Did the Corporate Gaming Act make major corporations move immediately into the gaming industry?

No. And one thing that's interesting is that we had, for example, the Sahara, and the Del Webb Corporation owned the Sahara, so what they did was they leased the Sahara to three of their top officers who were licensed and then they wouldn't have to license the company. By having the Public Gaming Act and regulations fifteen and sixteen you could require them to submit and get all of the SEC filings and make them subject to the SEC and federal violations if they didn't comply, which I think was very beneficial. It was much better than having this other method where you never got any information, particularly on a regular basis, about the public company.

How long was it after these acts were passed that many major corporations started coming in?

In reality, I think it was after New Jersey opened, because all of a sudden Wall Street discovered, right under their nose, gaming operations that were producing a lot of cash flow. That got their attention, and then they started looking out here as well. You already had Caesar's, which was public, and Del Webb, and Harrah's were public. So you had three major companies in the north and the south that were public companies and they were the early beneficiaries of this. There might have been some others, but those are the ones that come to mind.

There were several new statutes and regulations put into effect during your tenure on the Board. Did you or other members of the Board frequently appear in the state legislature to testify for or against pending legislation?

Yes, we did.

Who was the major player from your Board? Did all three of you go, or did it depend on what the statute was?

Depended on what it was. Hannifin was always there, and sometimes I would be if it was something that we felt it would be helpful for me to be there. Add my perspective.

Would you explain the difference between a statute and a regulation?

A statute is enacted by the legislature, and a regulation is adopted by the Gaming Commission.

On the recommendation of the Board?

Well, it doesn't have to be, but normally that's the way it is. Usually the Board is the one that has the concern and prepares a regulation and submits it to the Commission. It's because they're the ones that are usually looking to plug holes or deal with problems.

So the process is similar to an application. The regulation goes to the Board, and they recommend or get it on the agenda.

Yes, but not formally in a public meeting, unlike the licensing process.

So it's done at a private meeting or a closed meeting?

Yes. They have to have public hearings on the regulation, but in terms of the Board drafting and then giving it to the Commission and explaining it to them, that may be done privately, because that's not part of the public hearing. The public hearing is when they propose and publish. They have to publish it, and then the Commission has to set it for a hearing before they can adopt a new regulation.

What precipitates a statute? Is it started by the Board? Does the Board see a weakness or does the Commission see a weakness or a problem they want to get resolved?

When I was there, it was most often the Board. If we felt there was a need to change a statute, we didn't have to go to the Commission, because that wasn't a commission function. The Commission doesn't have any authority over the Board. It just has its area where it, by regulation of a statute, spells out what things have to go in front of the Commission, and it's basically licensing, disciplinary actions, and adoption of regulations.

What regulations put into effect during your tenure in the Board do you feel were the most important?

I think the most important one—and it's as important or maybe more important than the public corporation issues—has been the improved accounting regulation that we adopted and put into effect in, I think, 1973 or 1974. We held hearings, we dealt with people from the industry, we spent a lot of time and effort on it. And the fellow who really came up with the concept that worked was Clyde Turner, who was a commissioner and a C.P.A. He had the concept that everybody write their own regulation, submit it, write their internal controls, submit that to the Board, and when it's approved, then that's what they're measured by.

Was that Regulation 6?

That's Regulation 6. And the real long-term benefit of it is that now you have a financial statement that Wall Street had some confidence in. They understood the controls that were in place, as well as the regulations for the licensing statutes to keep out the bad people, but it was the internal controls and those accounting regulations that really gave them the confidence that they could rely on the financial statements coming out, that all the money was getting counted and credited to the owners and the shareholders and it wasn't disappearing out the back door.

So each individual company could put in rules and regulations that would fit that particular company, and then it was up to the Board to OK their proposal?

Yes. That's still the case, although they have now adopted what they call "minimum internal control standards," and everybody has to adhere at least to those standards. But one of the things that really helped was the bigger companies had major accounting firms doing their audits, and those people kept refining this law. So unlike the corporate regulations, the accounting regulations and accounting knowledge or ability to control and oversee the money in the casino has had the benefit of many experts in accounting, and that has been, I think, an important part of the development of those regulations. We started it, but it has continued to evolve and improve, and a good part of the reason for that is having all the input from these major accounting firms that do the accounting for the large public companies.

Prior to regulation six, did each company have to have an external auditor?

Yes. Well, let me back up. In 1969 when they adopted the corporate regulations, they also adopted a policy that said you had to submit an audited financial statement annually. I remember one place on the Strip showed a 90-percent increase in revenue from the year before they had audited statements and the year of the audited statements. They fortunately had changed ownership just before we came on. A couple of years later the feds indicted a number of people from that casino for skimming during that period of time.

What company was that?

I'd rather not say, because it didn't reflect on the people who have operated it since that time. It turned out that what they were doing is all the money they collected outside of the state for markers, they

never sent them back to the state.

Oh. [laughter]

[laughter] They distributed them directly to other places.

You mentioned earlier that Clyde Turner, when he was on the Commission, got the ball rolling on regulation six. Did he have help later on from a gentleman named Gary Royer?

No. What happened was we received word from a federal source that there was a draft of accounting regulations circulating amongst federal agencies such as the FBI, treasury, and the IRS, and that if we didn't adopt something and straighten out the problem, then they would. So we brought in people from the industry and talked to them about the accounting regulations. At that time there were some accounting regulations, but they were the same for everybody. And we had a location—I think it was The International—where we found a violation of the regulation. Only problem was, what they were doing was better than what the regulation required, and so that added to the need to do something.

When we started working on drafting it, it was Clyde Turner who came up with that overall concept, just before he left to go into private practice. But that concept is still there; he modified it with the minimum internal control standards. But beyond those, the implementation of other information, and the way they're utilized is up to each property, and it has to be signed off by their C.P.A. and has to annually be reported on by their C.P.A. So that gives a constant review to make sure that their procedures are working and that they are good procedures.

Did Dennis Gomes become quite involved in the writing of the regulation?

Yes. Dennis was the head of our audit division. He was a C.P.A., with a master's in finance. I think Gary Royer came along about the time that the information was starting to be filed—which was around 1975—and he became involved in reviewing for Dennis some of the submitted applications or submitted internal control systems.

Did Gary Royer work for the Board?

Yes. He was a Gaming Control Board auditor rather than an agent.

How often did the auditors go in a casino and check their regulation six? Did they do that more than once?

We did that, and I think they still do it today. They'll go in and check for regulatory compliance and spot check, but they don't do a full audit, except periodically—sometimes annually, sometimes not for two or three years because of the work load. The Board does its own checks on maybe the count room or the handling of markers or something like that. They will go in and just examine one phase.

Because a full-blown investigation could take weeks?

Oh, yes. An audit is a nasty task. It takes months. [laughter]

If there were a problem, would the Board then act on it?

We would get a recommendation from the audit division only if there was a problem. We didn't review every audit. We didn't get a report on everything they did. When they ran across a problem, then they reported it and we figured out what to do about it.

As the only member of the Board with legal experience, did you focus more on new regulations and their interpretation, while Mr. Hannifin and Mr. Stratton concentrated more on investigations and enforcement?

No. As I indicated earlier, it was more of a north-south thing. Even though they had division chiefs for enforcement and investigation up north, there were still questions, and a lot of things that I handled down here still went up there for review. But if they had questions or complained about who sat next to the window and who got next to the wall and stuff like that, I handled that. Hannifin was back and forth between the north and the south. Jack would handle more of the day-to-day kind of things there. Today they're pretty well divided with responsibilities for those various divisions that fit their background. We didn't do as much of that because, like I say, Jack Stratton was up there, and the chief of the audit division was down here. I was down here, of course, and the chief of investigations and enforcement was in Carson City, so it just kind of evolved that we divided things more by north and south than by department.

It seems to be another example of how well you three gentlemen on the Board got along. I don't know if all boards were as compatible as your board, but you seemed to work together on just about everything.

We did, and I think a good part of it was because of our respect for each other and for each other's abilities. I think the other two often looked to me for legal advice, especially since we only had one part-time deputy attorney general who was not an expert. We later got one full time, and that was Bud Hicks. Hicks was the first full-time deputy attorney general assigned to gaming.

Did you act as a liaison between Mr. Hicks and the Gaming Board and the Gaming Commission, or did he discuss things with all three of you?

Well, he was in Carson City, and besides that, we still had the part-time deputy A.G. [attorney general] who lived here in Las Vegas. He was the senior A.G., and Bud was the staff attorney who was assigned full time to gaming. So there really wasn't any liaison. And if Hannifin had a concern he might call and get my advice, but it wasn't that much of a liaison function.

As more and more regulations were created, was your workload increased, or did the increase of regulations make your job easier?

Well, I think the increased regulations made our job easier because it gave us something to point to rather than having to try and figure out how do we accomplish this under the existing regulation that

doesn't quite say what we want it to say.

As we discovered problems, that's when we would usually ask for regulation. So it was generally us seeking them, and it helped clarify issues as well as now you have something to show the applicant and show a court if they challenge you.

Were the problems you found found by people in the field?

Yes, and most of them came through the audit division. Again, it wasn't changed much once we got the basic outline because of the nature of the approval process. They could all be different as long as they had minimum standards. The audit people would generally fight back and forth with the applicant's auditors if there was any difference of opinion on things.

Approximately how many hours a week did you work when you were on the Board?

Oh, probably fifty, sixty hours. I tried to get out and around to all the places in addition to my duties in the office. I liked to get out to see and be seen, to keep on top of what was going on.

So you would cruise through the casinos to see who was working or see what was happening?

Yes. I would go in at any hour of the day or night. I wanted them to know that I might be in there at any time.

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Many new regulations have been created since you left the Board. Do you think there's any danger of the industry being overregulated?

I don't think so. If you've got a standard when you charge somebody, other than just your opinion, this can be very helpful—being able to point to a regulation and say, "Here's why you can't do this," instead of having to explain your philosophy and your view. It gave you authority and you didn't have to convince them that you're drawing your power from some ill-defined terminology.

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In the early 1970s, a gentleman named Jerome Skolnik spent three years studying the Nevada gaming industry. His study resulted in the book House of Cards. He received full cooperation of gaming control authorities as well as police authorities and casino owners and managers, and he also gained a lot of cooperation from you. Was there any particular reason that Mr. Skolnik was given so much access to the inner workings of the Board and the Commission?

I had read one of his books in law school called *Justice Without Trial*, which was the study of a police department. His method of study was to go with and be with the people and become close enough to them so that he's not treated like an outsider. In that way he gets more cooperation and more insight. When he contacted the police here, they told him that he should go across the street to the Gaming

Control Board. So he came in and when he started to introduce himself, I said, “I know who you are”

[laughter]

“ . . . I had to read your book in law school.” And when he told me he wanted to do a study of gaming I thought it was a great idea, because up to that point, all we had was the *Green Felt Jungle* kind of negative book. That was the kind of thing that was being written about gaming regulations and gaming operations in Nevada. There was very little that was done on a factual basis, and none on a real academic study of it. I figured that we should be able to withstand the glare of a study by a qualified, unbiased academic, that whatever he said would probably be helpful and good for us and certainly wouldn’t be the yellow journalism type thing that we’d been used to with *Green Felt Jungle*. I then introduced him to Phil [Hannifin] and talked with Phil and Jack about him, and he eventually spent a lot of time with us. He never did get quite as close with the Commission.

You said he was an academic. Did he have a degree in law?

He had a degree, a Ph.D., in sociology, and he was the director of the Center for the Study of Law and Society at Berkeley and had a national reputation. He had been the reporter for a presidential commission, the Walker Commission, to study violence. It was done after the 1978 Democratic Convention, and he was the one who actually wrote the report for that committee. And he had published a number of books on police operations and procedure.

So he was well-established and nationally known?

Oh, he was. Yes. He had an excellent national reputation, and still does today. He retired from Berkeley and now teaches law at NYU [New York University]. I think they eventually made him a law professor as well, but it was basically in the area of law and impact on public policy and that sort of thing.

So to get back to what you were saying, you took him in and introduced him to Phil, and Phil was all for it?

Yes. And we told our people, “You can let him in on anything you’re doing. But if you don’t feel comfortable about it, you don’t have to.” Our chief of investigations never liked him around and he didn’t spend much time with him.

Who was your chief investigator?

Tom Carrigan. Tom was an old cop and didn’t like an outsider looking in on it. Dennis Gomes adapted to it very quickly and very easily. Most of the time he was down here, so he got to know the people here and he’d ride with the agents at night. We actually called him our unofficial consultant on constitutional matters. [laughter] He was very helpful in that regard; he would tell us if he thought we were off the wall on some things and he’d get us to thinking. While he was here he made the acquaintances of Steve Wynn and Billy Weinberger, and they opened a lot of doors for him.

And his book was called The House of Cards?

Yes. It was published about 1977 or 1978, after I left the Board.

What general overall picture did he give of the gaming industry?

I think basically it was an objective, positive view of gaming. He went into things like the history of gaming and the public policy aspects of it, the way the public views it, and the way different writers had viewed gaming. He went in a casino—I can't remember which one—and he actually spent time in the pit observing, and because of that he was able to talk about contemporary casino operations at that time. I think Frank Schreck was also cooperative with him because Frank had graduated from law school in Berkeley. While Skolnik was head of the Center for Study of Law and Society, he also taught a course at the law school.

Was Frank Schreck on the Commission at that time?

Yes.

So all in all, was it a positive look at Nevada gaming?

I think it was. I think it was beneficial and pointed out some things that were helpful. It was a view by somebody from the outside without a negative slant on everything that was done here and without a presumption of some sort of wrongdoing.

Some of the people that are mentioned in the book, including you, are given a fictitious name. Do you know why he did that?

Yes. That was his style of doing things. He said it was to keep people focused on the content, not on who the people were. But he told me year or two ago that if he had to do it over again, he doesn't know that he'd do that same thing. I spent time with him a year ago.

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The period from the late 1960s to the late 1970s was replete with many notable and sometimes spectacular hearings and investigations that gained nationwide attention. One occurred the first year you were on the Board and involved the Aladdin hotel-casino. In December of 1971, a group of investors from Detroit applied to purchase the Aladdin from Recrion Corporation. Would you relate to us your memories of this application and tell us about the principals involved?

In the initial licensing we denied a number of the people, and some of them we didn't feel we had a case for denial that the courts would uphold. The interesting thing is that we believed that there was judicial review of our decisions. In 1978 the Nevada Supreme Court ruled that there is no judicial review of a denial on a gaming license—and if we'd have known that then, there'd been some different things happen.

[laughter]

So we were careful. What we didn't want to do was lose what we had by getting a bad decision. There is a saying that hard cases make bad laws. So that's why sometimes some people were licensed that might have not otherwise have been—people that were borderline.

Did you have any other comments you'd like to make on that Aladdin case?

I remember that when they applied there was a question raised about some of the forms that we made them sign waiving any liability and saying they agreed to furnish everything. They didn't like that; they said we were asking them in effect to waive their constitutional rights. We told them they could decide whether they wanted to be a licensee or not. But if they were going to be a licensee, they were going to have to sign the forms or the application wouldn't be complete and we wouldn't start it.

So that was kind of a motivator.

Yes. And, of course, a number of them were denied. The ones that were denied were people that we had seen meeting with bad people, where it was pretty clear that they had some connection.

What was the final decision of the Board and the Commission?

Well, we denied a number of people from Detroit: Charles Goldfarb, George George, and Irwin Goldfarb. The people who were approved were Don Aiken, who had been on the Gaming Control Board and had been an auditor on the Gaming Control Board; Peter Webbe, who was an attorney out of Kansas City; Richard Daley; and Sam Diamond.

So eventually Sam Diamond, Webbe, Daley, and Aiken were licensed at the Aladdin?

Yes.

Did other considerations such as the economic welfare of the hundreds of employees there and the loss of gaming revenue enter into the decision?

Not officially. And I can tell you it didn't affect my decision, but I don't know about Phil or Jack or the commission members. Commission members were generally more sensitive than we were, and sometimes Phil might have been, because he was more on the front line as the chairman; he was the one people focused on. If there was somebody who was licensed, then we would give them delays and do something to help them get rid of the people who weren't licensable so that the place could go ahead, but we didn't tell them who could or couldn't have it. I think in this situation there were people who were licensed, so they simply had to alter the ownership percentages.

Were there any other similar cases where you had to weigh keeping the club open against other factors?

The only other one I can recall was one where we allowed a potential owner to put money into the King's Castle before they were licensed. That required special approval of the Board and Commission. They put money in several times, and eventually ran out of money and never completed the purchase. Our concern was to try and get it through the holiday season. We didn't want the place shutting down while we were getting these people licensed, especially since the place needed money. It couldn't last, and they would have had to shut it down if there wasn't money from the potential buyers. Eventually when they didn't get licensed, when the deal fell through, they lost the money. They lost it all. And I recall one of the newspapers here criticizing us, saying we did it because the attorney for one of the parties was some influential person. We did it to keep the place open, and we weren't letting anybody who was unlicensed run it. We didn't let them participate in the operation, they just put their money in, and then we were criticized for it. I recall years later at the Aladdin a federal judge, Harry Claiborne, stopped its closing, but then it was ruled that he couldn't do that. I think, primarily the judge was trying to keep it open to keep people employed. Now, what we would do sometimes would be to suggest to people that they could lease it to someone who was licensable. That's why Dennis Gomes came to work at the Aladdin. They needed somebody who was licensable, and then they did the same thing over at the Dunes. Gomes went in as a manager and actually had a lease. I don't know for sure if he did that at the Aladdin, but at the Dunes he had a lease.

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Did you ever feel any personal fear when you were denying these people that were notorious gangsters and hoodlums? Didn't you feel that you were out there in the open when you were making judgements and decisions on these people?

Not really. I believe the last thing they would do would be to harm somebody in law enforcement, as it would bring more heat on them than they would want from other law enforcement people. I never even had my phone unlisted the whole time I was on the Board and never got any kind of a call at home. I was never threatened. Never had any problem.

Was anyone on either the Board or the Commission threatened?

Two commissioners, Harry Reid and George Swarts, had bombs in their gas tanks, but they were never sure whether it was because of gaming or something else that they were involved with. They had no threats from anybody. And usually they wouldn't go after commissioners; they'd go after a board person. But whoever did it did a bad job; the water or the gasoline snuffed out the flame.

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In 1972 the Argent Corporation, an acronym for the Allen R. Glick Enterprises headed by Allen Glick, purchased the Hacienda Hotel. Mr. Glick and his associate, Frank "Lefty" Rosenthal, were soon to become two of the most well-known figures in the history of Las Vegas gaming. Would you tell us how Mr. Glick got his start in Las Vegas?

It was at the Hacienda, but Rosenthal was not involved. His associate was Paul Lowden. He put

together a group of people, and Glick was one of them. There were about three or four investors, and Glick wasn't even the one who was running it. He was just an investor at that point. But he later moved to get control of the Stardust. Then we sent another team out to do another background investigation so that we would have a double check. Hannifin and I even went on part of it. He had some property in Mexico and we talked with the people that ran it.

A gaming property?

No, it was a resort hotel, and it all checked out. I was really puzzled, because I figured something was wrong. As you know, the quote I made when I licensed them was that, "It bothers my stomach, but I am just going to have to take something for my stomach because I don't have any facts to base a denial on." And that was the truth, but we suspected that he had grown up with somebody bad, or had some bad connection. But we could find absolutely no connection with any organized crime people or anybody else with a bad reputation.

When I was a witness in the federal trials in Kansas City on the Tropicana and Stardust, I found out that the government's position was that when he [Glick] went to get the loan, they told him he had to contact a guy up in Wisconsin, who happened to be a family don. He went to see him, because they'd told him he had to see this guy and get this guy to run interference for him.

Did Glick go to Wisconsin and meet "the Don?"

He did and he had to sign an agreement that the family would have an interest in the Stardust. He said he'd have to report the loan because they put in an option, and he said options were licensable, and so theoretically they canceled the option. But later, according to the feds, they threatened his wife and children. He was supposed to ignore things and leave them alone. So basically, he made a good living and got some good money for staying out of the way. I don't think Glick was ever really connected with Rosenthal or anybody like that. It was just that in order to get a teamsters' pension fund loan, he had to go through a mobster to get the loan.

Was that the loan for the Hacienda, or for the Stardust?

For the Stardust. The Hacienda didn't take that much, and I think Lowden may have arranged for that loan. I don't know, but I think Lowden really had most of the money in that deal, or he at least obtained the financing.

How did Glick and Lowden hook up?

I don't recall, but he [Glick] was a real estate developer in southern California, and from what I've been able to find out, I don't think he had any connections with anybody until he went for that pension fund loan.

So the Gaming Control Board had investigated Glick at least twice, first at the Hacienda and later on at the Stardust and the Fremont?

Yes, first the Hacienda and then we investigated the Stardust and the Fremont together.

Wasn't it strange or didn't it appear strange that Glick was able to get such a huge loan from the teamsters' union?

Absolutely. But we had no contrary evidence.

Who did Glick buy the Stardust from?

From the Recrion Corporation.

Did Allen Glick ever take a polygraph test?

Yes, I asked him to take it. It was the only one I ever did. But according to Nick Pileggi, who wrote the book *Casino*, Allen told him that he was the only one, or the first one, that was required to submit for a polygraph. That could have been a disaster for him because the day after he took the polygraph he went [to] Wisconsin to meet with "the Don." [laughter]

We figured he was so cold that a polygraph wouldn't reveal his lie, but then I got this other information from Pileggi that gives a rational explanation for why he didn't have anything to hide. Up to that point I don't think there was anything to hide. But he said if he'd taken the test after he had that conversation and talked with the mobster, we would have probably gotten a different result. [laughter]

Funny what time can do, isn't it?

Yes. Yes. Timing is everything.

So actually, there was never any evidence discovered that indicated Allen Glick was unsuitable for licensing.

Right. We just found no evidence. Nobody had any information of him being associated with anybody.

Do you now feel that Mr. Glick was a front for the mob and that he was cognizant of the skimming that took place at the Stardust?

I think he was a front, but I think it was a situation where he was told, "If you don't do it, we'll get your wife and kids. If you do it, stay out of our way and you'll make some good money on this." And he did. So in that sense he was a front man. There were a lot of things I don't think he had to know. I don't think they would involve him in any more than they absolutely had to, because he wasn't one of them. So I don't think that he was involved in the skimming, but certainly he was involved with covering up who was really running the place.

Was Glick eventually forced out of the gaming industry?

Yes. That happened a number of years later when Herb Tobman and Alan Sachs took over his position. It might have been in the 1980s after the federal conviction of all those people involved with the loan.

Frank “Lefty” Rosenthal was an individual who created many problems for Nevada’s gaming regulators during the period Glick controlled the Argent Corporation. Rosenthal became the top executive with Argent. Could you give us some background on Mr. Rosenthal and your experiences with him?

Rosenthal was a Chicago bookmaker, and, like most bookmakers, in places where it’s illegal, they usually end up either under the protection of or connected in some way with the mob. I *think* he knew Tony Spilotro when they were growing up, although he is considerably older than Spilotro. Rosenthal came out here and worked in the racebooks and sportsbooks. Spilotro came out when “Milwaukee Phil” Alderisio died. We got a call from the FBI and they said, “You got a new guy out there—Spilotro, Tony Spilotro.” So we were aware of that within at least a week—no longer than a week or two after he hit town—and had an FBI rap sheet on him. Rosenthal was pretty good about keeping Spilotro out of the places where he was working. He didn’t go on the premises much.

Was Spilotro here to keep an eye on Rosenthal?

Not on Rosenthal—on all of the investments the Chicago group had. And certainly this was one of their biggest ones. Rosenthal was a highly qualified and experienced bookmaker in the Chicago area. And he also worked Florida. I know, because he got kicked out of a racetrack down there. That was one of the grounds they used for his license denial and for his “Black Book” inclusion.

Was he eventually given the top job at the Stardust?

He was given the top job fairly soon after Glick came there. I wanted him brought up for licensing, but I think Phil and Jack were concerned that we’d go to court and lose. I’d already tried to jerk his work card, and he went to court and got that back. And then somebody told me that Phil got a lot of information on the industry from Rosenthal, and that’s possible because I know he was very helpful to me in explaining how bookmaking works, and as far as thieves that were around town and that sort of thing. And he kept the thieves away. I figured he was a guy that was smart enough to make it straight, and that’s how I rationalized it. I wanted him brought up, but because Phil and Jack voted no we didn’t do it.

But he continued to work in the Stardust?

Yes, because they didn’t agree with me that he should be brought up for licensing. Later on in the next administration he was told to submit for licensing, and when he was denied he created a big scene at the hearings. He argued with the commissioners and with the audience. Had a huge ego. Still does.

When he would come and tell you things about bookmaking, did he come to the office, or did you contact him?

No, I would contact him when I had any questions. He’d tell me about some thieves that might be

working in the area and things like that.

What was he doing at the Stardust at that time?

I don't remember what his title was, but he was running the casino, even though he wasn't licensed to do so. I mean, it was fairly obvious. All I had to do was watch for a bit and I could tell he was key guy in there. People come to him for permission to do things and he was critical or he would correct people and that sort of thing. It was obvious he was in a power position.

Was that another situation where Glick was aware of it and didn't care to do anything, or was not allowed to do anything?

Well, I think they told him to stay out of Frank's way, that Frank would run the place. And I think that was part of the deal.

Is there any evidence of mob people meeting with Rosenthal here in Vegas?

Not that I was ever aware of. One of the fascinating things in the book, *Casino*, is that it states that somebody came out from Chicago and met in Mayor Oscar Goodman's office with Spilotro and I can't remember whether Rosenthal was involved or not, but I think he was.

Did Mayor Oscar Goodman eventually become Spilotro's attorney and Rosenthal's attorney?

He represented all the mob.

So you might call him a mob attorney?

Absolutely. And, yes, he did represent Spilotro. In fact, he said in a newspaper article that Spilotro was not in the mob, there was no mafia, and that he'd rather have his daughter marry a mobster than an FBI agent. How times have changed.

Of course, he wasn't mayor then.

Right.

Did he appear in front of the Board frequently?

Not frequently. Couple of times. He always lost. [laughter] He was in front of us on a couple of occasions when he accused me of majoring in arbitrary and capricious in law school.

[laughter]

He once called me a brown-booted storm trooper, and that was on a good day. [laughter] Rosenthal was pretty smart and pretty smooth, at least during the time I was there, in that I believe he told

Spilotro to stay out. In fact, I think he told us that he told Spilotro to stay out his place, and he did. So he would go to other places.

Where did Spilotro hang out?

As far as I know, all over. I saw him in a little casino across from the Stardust once, and he played lot of poker. He was usually in a poker game when I saw him. He seemed to hang out wherever poker was being played.

Did he ever work in any casinos or have any businesses in any of the casinos?

Just the gift shop in Circus Circus.

Did he have to be licensed for that?

No, but I tried to get his lease terminated. I sent a letter telling Circus Circus to terminate the relationship, and the response was that they did not know it was Spilotro when they signed the contract and it was a ten-year agreement.

Oh. So he signed it under a different name?

Yes. He used the last name of Stuart—John Stuart, or something like that. I was still trying to figure out what to do next, [laughter] because we didn't have any authority, when the Circus was sold. They showed up with new buyers to buy his gift shop, because the people who underwrote the public money for Circus Circus took Circus Circus public, and investment bankers wouldn't do it with Spilotro on the premises. And that caused him to sell. They had this list of owners, and when I looked at it one of them was a name I recognized. It was the administratrix of "Milwaukee Phil" Felix Alderisio's estate. [laughter]

[laughter]

So we sent them back and they came back with a list of local doctors and dentists. They were clients of Oscar Goodman's law firm that bought it. So that's how eventually Spilotro got out of Circus Circus.

Who did he sign the original lease with?

The creative guy that designed it, and also was the guy who designed Caesars—Jay Sarno. He sold out to Bill Bennett and William Pennington, but Bennett was the controlling person.

You mentioned earlier that you tried to pull Rosenthal's work permit and he took it to court. Did he get it back?

He went to court along with a couple of other people who I objected to the issuance of their work

permits, and the court said there was no authority for pulling it, and we had to let them have their work permits. So the next legislative session we got in a provision stating we could require the finding of suitability for anybody doing business on the premises of a casino.

After Rosenthal got his work permit back again was he ordered to apply for licensing as a key employee?

As I said, that's where Jack and Phil voted me down on bringing him in for key employee licensing. So that did not take place until after I was out of office. And I think that may even have been initiated by the Commission on their own. I'm not certain about that.

I realize this may have happened after you left, but was he eventually called up to be licensed as a key employee?

Yes, and was denied a license.

Did he appeal that decision in court?

Yes, he went to the district court, and the district court ruled against the Commission. It turned out later that Rosenthal had hosted the judge's daughter's wedding at the Stardust.

Was that Judge Pavlikowski?

Yes. And when the decision made by Pavlikowski was appealed to the state supreme court, that's where we got a decision that spelled out the state's powers for the first time, really, and said several things. The court didn't need to do that, but it did anyway. It said that there was no right to an appeal, there was no right to due process in the application process, and they also upheld the grounds on which the license was denied. Even though they didn't need to reach that question, they did, and so you had for the first time, really, a final denial based on such things as being excluded from a racetrack in Florida, having a couple of police officers testify that he tried to bribe them to leave his business alone and some of his other associations. There was also testimony before some hearing body that he tried to fix couple of college basketball games. And the court upheld all of those grounds as being valid grounds for denial of a license. So again, those were issues they didn't need to reach. Once they decided there was no right to appeal, they didn't have to do anything else, but they did. They went on and gave these guidelines. They were very helpful for the future and helped to lay out what the authority is of the gaming regulators.

Actually, by him appealing the decision and going to the state supreme court, it was actually a big benefit to the gaming industry in the state of Nevada.

Yes, then he appealed that decision. He went to the Ninth Circuit Court to try and get it overturned. When he tried to bring it in to federal court, they said it was a matter for the state. He took it to the Ninth Circuit Court of Appeals, and they affirmed the decision. And then he appealed to the United States Supreme Court, and they wouldn't hear it.

And that really established the fact that a gaming license is a privilege, not a right.

Yes, in a sense that's what it does that mean, and, in effect, the court gave it meaning by saying that there was no right to a license and no right to due process or a judicial review, because the legislature had never provided for it. Since they had provided judicial review for disciplinary actions, we'd always assumed that that applied as well to applications. But because they didn't mention applications, it was intentional that they left out applications and not an oversight.

Do you feel that that was one of the most important gaming decisions ever made?

Absolutely, and at a very important time. It really solidified the basis of the kind of evidence you need on organized crime connections and associations with bad people for denial of a gaming license. And so we no longer had the problem that Phil and Jack had with me pushing things saying we were going to lose power, because a lot of things we did people weren't sure we had the power to do, and they didn't want to test it.

Some people like Rosenthal and Morrie Shenker you knew were going to test you. They were going to push it, so you had to make sure you were covered.

Long after you left the Gaming Control Board, Rosenthal continued to operate in Nevada. Did you follow his activities? What ever happened to Mr. Rosenthal?

He eventually was forced out of gaming when Glick was. He was forced out, because he'd lost his gaming license, and then they changed the law and they moved against his work permit. So then he was out of business.

Do you know what he's doing now?

Yes. He has a home in Florida, and he is quoted occasionally as an oddsmaker. Nick Pileggi told me that when DeNiro, who played Rosenthal in the movie, went down to visit him for the first time he'd been there only a couple of minutes when the doorbell rang and it was Spilotro's daughter. A few minutes later, the doorbell rings. It's the guy who mows the grass. Rings again, it was another neighbor, eventually he had the whole neighborhood, and all kinds of people drop by and meet DeNiro.

In the movie Casino Robert DeNiro, you mentioned, played Rosenthal, Joe Pesci played Tony Spilotro, and Sharon Stone played Geri Rosenthal, Mr. Rosenthal's wife. Have you read the book or seen the movie?

I have not seen the movie. One of my students asked me why I hadn't seen the movie. I told him I lived it. [laughter]

Yes. [laughter] That's right, you did.

Nick Pileggi sent me an autographed copy of the book, and he interviewed me for about eight hours before he wrote the book. But the book was written after the movie was done. [laughter] And he told me that the movie was fiction. The book was a reportorial approach, so the book was trying to give

an accurate picture, whereas the movie wasn't. That's why he didn't interview me until afterwards. He has an excellent reputation in that area. Very knowledgeable in writing books about the mob, because before he was a writer he was a reporter who covered the mob.

Did you like the book? Do you think it was pretty factual?

Yes, because most of the stuff was quotations from other people. And again, you may not agree with him; different people may have different recollections, but at least it wasn't the author drawing a conclusion and presenting it as fact, which is often the problem with things like the *Green Felt Jungle*.

Were you quoted quite a bit in the book?

A few times. Few times. I think they used my quote in the board meeting on Glick, and my gut feeling about him. I think that might have been in there.

You didn't say gut feeling; you said stomach feeling.

Yes. [laughter]

[laughter] *Sounds more dignified.*

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In 1973, Steve Wynn became the first person to be licensed for gaming in Nevada while being licensed in another state.

That's not exactly accurate; he may not have been the first one. The way that developed was we were working on an application from the Hyatt Corporation to buy the King's Castle at Lake Tahoe, and as part of the investigation, we found that they had interests in casinos, in other jurisdictions outside the United States in their hotels. We told them we would try to get the regulation changed, because they were the kind of licensee that we wanted. The regulation had been put in there originally because of Havana, Cuba, and because of people going from here to Havana and opening casinos. So we started the regulatory process, to amend the regulation and knock out the ban on someone who had a foreign license. At the same time, or actually, after we had started that process is when Steve Wynn applied, and so did Ernie Primm.

Where did Mr. Primm have gambling?

He had poker rooms in California. And the way it turned out, they were both on the same agenda.

So Hyatt was not on the agenda; the two on the agenda were Primm and Wynn?

Right. The interesting thing is that while we were in the process Hyatt said, "We don't want to wait for that. We'll remove all the people who were involved in foreign operations so we can go ahead."

And they did. But we wanted it anyway because we wanted it for other hotel chains. We were looking to get more public companies, especially big companies, with hotel chains all over the world that might have casinos. And so that was the full motivation for it. Wynn and Primm were the timing beneficiaries. As I said, I think Primm might have been first on the agenda before Wynn, but they were both on the same agenda.

Well, Wynn may have got more publicity on it because he became such a well-known name in the gaming industry.

Eventually. Yes, everybody forgot about Ernie Primm because Steve attracts attention.

What is the significance of someone being licensed in two states? What did it lead to? Was it good and bad for the gaming industry?

Well, after changing it, it wasn't too many years until you had gaming in New Jersey. And there were licensees from here who wanted to operate there. If we hadn't changed the regulation, it would have prevented them from having licenses in both states. So changing that was beneficial and helped to some extent to accomplish what we wanted, getting some of the bigger chains in Nevada.

Some people said that by changing it you created competition in New Jersey that was harmful to Nevada's economy. Do you feel that way at all?

No. New Jersey's was primarily a drive-in business. At the same time that was occurring, what was also occurring was the airlines went to the hub-and-spoke system. So we had these hubs, like at Chicago, so you had to fly to Chicago and then you had to change planes to get to Vegas. There were very few, if any, coast-to-coast or New York-Nevada planes, and they didn't stop to think that that had more of an effect on the Nevada economy than New Jersey did. The other aspect was the high cost of gasoline, and that affected the high cost of fuel and it drove up the prices, and that, again, reduced the number of people flying to Nevada. I think it was primarily the hub-and-spoke system, which eliminated the direct flights between New York and Las Vegas. It was easier to go to Atlantic City than to Nevada. You can make the same argument for all of the places that have opened since then with the expansion of gaming.

But it's interesting that Nevada has had its greatest periods of growth during the greatest growth in gaming in the country. And although that slowed it down for a bit, it never did dip; it just didn't increase as fast after Atlantic City opened. But I don't think that it was as much due to New Jersey as it was to the way the airlines were organized. Now the beneficial side was being right under the nose of Wall Street. You got more people involved, and Wall Street started loaning money here, and places here were built because of having access to Wall Street money. I think that's the real benefit from the New Jersey operation that outweighs any negatives that occurred at the time, because it didn't drive anybody out of business.

Are there any more benefits, Shannon?

A number of people in Nevada were upset because Nevada corporations ended up going to New Jersey. But in the long run if you're a public company, you've got to go where the business is or buy

somebody else's stock or your stock will languish and you won't be able to raise money when you need it to expand. And so the fact that Nevada companies went back there and went into business helped their stock prices, helped their ability to gain financing for Nevada operations, and Steve Wynn is a good example. He was able to raise big chunks of money here because of his success in Atlantic City. I think another benefit from gaming in New Jersey—and the same thing happened later with the Riverboat gaming—is you had a congressional delegation that had an interest in gaming, so Nevada's wasn't the only delegation. It still carried the load and it still led the fight, but at least it gave them somebody else they could call upon to help in some cases. And that's been more true as the years have gone on. So I think that was helpful. There are a lot more voices on Capitol Hill than there used to be on behalf of gaming.

That's right. For many years the Nevada people stood there by themselves.

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Another interesting case that had a lot of publicity started in November of 1974. A gentleman named Morris Shenker, who was the sole owner of the IJK Corporation, applied for licensing as owner of the Dunes hotel casino. Could you tell us his background?

Morris Shenker was a well-known, very capable criminal attorney. In fact, a number of people who owned the Dunes had been his clients in the Midwest before he came out here. He never moved out here before he became an operator here, but the people that he ended up buying from were people that he'd represented years before they came to Nevada, when they got in trouble with the law over illegal gambling in other states. One of Morris's better known clients was James Hoffa, and Morris was considered the outstanding criminal attorney in the St. Louis area.

What made him decide he wanted to be a casino owner?

I do not have a clue other than the fact that apparently the people who were running it were running it into the ground, and I suspect they couldn't get capital, and he had more access to capital. And for whatever reason, he decided he wanted to be a casino owner.

Then, as you said, he was buying out former clients who were perhaps friends of his, or definitely acquaintances of his.

Yes, I'd say acquaintances. I gained respect for him after the trial process—unlike Oscar Goodman—because Shenker dealt with their criminal cases and that was it. He didn't socialize with them, didn't do other things with them. We were never able to find anything of that nature; whereas, Oscar's office kept all the books of Spilotro's business, for example, which means before you can subpoena them you had to go through Oscar's law firm, because they were maintained at the law firm. That's going beyond representing somebody in a criminal case; that's being a business attorney as well. But Morris, the best we could find out, through this investigative process and hearings, was that he represented them criminally and then he went home and didn't associate with them socially, didn't get into other businesses with them, and didn't get involved in their business.

Do you recall any specifics of the investigation, such as who headed the investigation and how many agents were assigned to his case?

I don't recall how many agents were assigned; it depended on workload and what else we had to do. I know I got a call from one of our agents in Shenker's office who was going over his things in St. Louis who said that Shenker had a safe in his office that they wanted to get into. Shenker said it had client materials in there that were an attorney-client privilege. I said, "Put him on the phone." And I said, "Morris, you're going to have to decide whether you want to be a casino owner or an attorney." And he opened the safe and let them in. And that's where they found some old promissory notes where he had loaned money to some of his clients. I think they'd been paid back, but he still had them in his safe. It actually wasn't his client's; I think it was a U.S. attorney that had paid back the money. Shenker had also sold a car at a pretty good deal, when cars were very short-handed during the war, to an I.R.S. agent who "happened" to be also working on a case involving some of his clients.

However, when we held the hearing we had an attorney—I can't remember his name now, but he had been counsel for the Watergate committee—and he said that the ethical standards before Watergate were different than they were after. We also had the I.R.S. agent who said the agent who Shenker sold the car to was not involved in the investigation of Shenker's client. And he also said, "I was the one who made the determination that there was no criminal case." And then the I.R.S. agent who got the car said he had no authority to do anything related to that case other than if they prosecuted and recovered the money, then he would apply it against the taxes.

That's the kind of thing we ran into on almost every issue with Morris. The attorney for the I.R.S. who said he made the decisions, when he testified for us, was head of the criminal defense section of the Illinois bar, another person who was unimpeachable. Every time we turned around, that's the kind of witnesses he had, the guy on ethics, he was the key person in dealing with ethics at that level. There was another person that testified and he was head of the bar association in Massachusetts, so every one of his witnesses were quality witnesses. We thought he had juggled some accounts, and made some improper loan situations, so he brought in to testify in his behalf a person who wrote the California law on the subject and the practice manual for attorneys on that subject, and he testified that what they did was not wrong. [laughter]

Also, as part of Shenker's investigation, one of the issues the investigators found was that every year Shenker had loans from the California pension fund that he would pay back at the end of the year, and right after the first of the year he would take out a new loan. He would put it back in for a short period of time so that at the end of the year his books and the union's books would show no loans outstanding to him, and then he'd borrow on a new one. The investigators finally thought they had him because they talked with everybody at the bank and found there would be no money in the account if a check hit the bank; therefore, he was writing a non-sufficient funds check. And so we figured he was going to have a tough time getting out of that one. Shenker's attorney brought in Parry Thomas to testify that Morris had called him up in Sun Valley where he was on holiday, and asked him if a check came in would Parry cover the check, and Parry said yes, that it would be covered. If a check had come in, they would have called me, and I would have covered it. He just hit every issue head on and brought in the best people.

Another person who had had an important role in Watergate testified about a senate hearing. He was now a top official in the criminal defense bar, but then he had been a legislative assistant on a hearing

that involved James Hoffa. The senator who was in charge of the committee was from Missouri and everybody assumed that Shenker had got to him. This attorney gets up and says, “No, this was a staff decision. I know because I was the top staff man for the committee, and I’d been there before that Senator and I was there after the senator and we made the call on that, not the senator.”

[laughter]

And this was the person who is now the reporter for the ABA committee for defense counsel. So his standards are an authority in that area.

Was Shenker’s association with Hoffa brought up quite a bit during the investigation?

It was a well-known fact, but the only association was always as attorney-client. We found no evidence of anything other than an attorney-client relationship. And I don’t think anybody thought you could deny an attorney a license because he represented criminals.

Who was Shenker’s lead attorney?

I *think* that Herb Jones was the lead attorney, and during the hearings he brought in Grant Sawyer. I don’t remember who Grant was representing, but my recollection is that it was not Morris himself. But, again, he had strong people at every position, every witness and two of the top gaming attorneys in the state working for him. It was an impressive display of not avoiding the issue, but taking each issue and bringing on some of the best people in the country to address each one of those points favorably for him.

Shannon, you’ve been saying how each specific point was brought up and he had good testimony for every point. Was it board policy at that time to tell the applicant what his problems were?

No. Our investigators often would sit down with somebody before they finished their report and tell him what they thought would be issues of concern, but there was no formal list of causes or grounds or whatever that was given to the applicant. The first time we did that and the only time that I was aware of was with Morris Shenker. That was because we knew that he would be the one most likely to sue and take it as high as he could go and he was a very capable attorney, and so therefore, we wanted to be on a safe ground and not have it thrown out because we didn’t tell him what the issues were.

So it was rather a unique situation then, almost a full-blown disclosure to him?

Right. I had previously asked questions of applicants, getting on the record information that would sustain a denial if I felt I was going to vote for denial. But this went beyond that: this was giving it to him up front before the hearing and telling him what each one of the issues was. And then that’s when he took each one of those issues and just tore us apart with them with the quality of the people testifying and the substance of their testimony.

Was that an extremely long hearing?

Yes, it was the longest one I was ever involved with. I think it was thirty-some hours over three days. We went from eight o'clock in the morning until midnight, one o'clock in the morning, and would start again at eight or nine and go all day and into the evening.

Were all other items on the agenda put aside, or was this a special hearing?

This was scheduled at the end of the agenda after we got everything else out of the way.

Was the hearing held in Carson City or Las Vegas?

Carson City. And my understanding is that either Shenker said or somebody in the group said that he rented a full floor of rooms at the Ormsby House for all the witnesses he was bringing in from around the country. And these people were coming at no cost. Some of them, I think, even paid their own expenses, but they were not paid to testify.

Did he have an extremely complex financial situation?

Yes, in the sense that most of it was in pension fund loans and variety of different businesses. But I don't know that it was *the* most complex. There was certainly a lot of information there to sort through, and that's where the agents got concerned with how he was handling the loans from the pension fund.

So he was recommended and licensed, I'm sure.

Yes. Again, this was one of those investigations that when I went into it, my feeling was, "I'm going to vote against this. If he gets a license, he's going to have to go to court to get it." By the time it was through, I felt it would be bad public policy to deny someone a license who had put on as strong a case as he did, that we weren't serving the state by doing that; we would be misusing our power to do that. He put on such a solid case. There were no weaknesses. He had such solid witnesses that I felt very comfortable recommending him. I didn't like to have to do it, but I was comfortable in the fact that I felt there was just no other way to go, even though I'd started out with the thought that he was going to have to go to court to get that license. That I realized that would be, in light of the case that he put on, the wrong thing to do, both as a lawyer and as a government official.

Well, he certainly wanted the license badly, didn't he?

Yes, he did. He spent a lot of money.

After he was licensed, did he move his operation? Did he have an office in Las Vegas at the hotel?

Oh, he probably had a place at the hotel that he worked out of, but he didn't spend much time there.

It wasn't a hands-on operation?

No, I don't think so. That wasn't his nature. I don't even know if he would know what to do.
[laughter]

How long did he keep the operation?

I think he ended up selling it to Masao Nangaku, a Japanese man, in 1987.

Why did Mr. Shenker sell it?

I have no idea. Probably made a good deal. Probably made money and got tired of keeping an eye on the operation here.

How old a man was he when he was going through this lengthy process of being licensed?

I'd say in his sixties.

* * * * *

In 1975 Bally Manufacturing Company applied to be licensed to take control of Bally Distributing Company. What problems did the Board have with that application?

Bally's problems primarily related to its history and development and some of the people who worked for it and were part owners of it originally. It started out being owned and operated by a number of people who were in illegal operations. One of them sold pool tables. Their distributor in Europe, Dino Cellini, had been a gaming expert for Meyer Lansky. And in Louisiana a mafia family was their distributor, and I think they were a company that was charged once with violating the gaming laws in Louisiana. But it was primarily their people and their history that caused problems. And that's one reason why we created a regulatory compliance committee. We got rid of the people—the object was to get rid of the people who couldn't be licensed, clean up the company, and then to allow them to operate here but have a regulatory compliance committee, which at that time was headed by a former high-ranking Chicago police officer. So that was the first regulatory compliance committee in the industry. They've had one ever since, and I'm currently the chairman of the compliance committee for Alliance Gaming, which is now the parent of Bally.

Was Bally Distributing Company already licensed?

Si Redd had Bally Distributing Company. There was also a distributing company in Las Vegas for the southern part of the state, and Bally bought them both out, but they kept Si Redd running their subsidiary statewide.

Did Si Redd want to sell out to Bally Manufacturing, or what precipitated the sale?

I think it was Bally's decision to come in here and get licensed and be their own distributor, keep

better control over the distribution of their machines.

So, in other words, if Si Redd hadn't have sold to them, they would have stopped giving him machines to sell.

I think so. The interesting thing is they couldn't agree on the value of the poker machine that he had developed, and so he finally said, "If you don't think it's worth what I think it is, why don't you just give it to me?" And they did. And that, of course, today is IGT [International Game Technology].

So that was a major mistake on their part?

Yes, they definitely undervalued that asset, and Si Redd became famous with that machine and his distribution system around the state.

Didn't Bally fall far behind in the video poker game for many years?

Yes, as part of the deal, they agreed not to have a poker machine for x-number of years, and so they fell far behind IGT.

So the main problem with Bally Manufacturing when they came to get licensed was their history of association with unsavory characters?

Yes. In the eastern states where it started, they ran pinball machines and other amusements machines which were really used for gambling, and that was how they got started. And it was those people who brought those elements in and who had those elements in their business that were the most important ones to get out of there. I wasn't happy with Sam Klein staying on. I thought he ought to go, but the Commission didn't, and actually, neither did the other two members of the Board. And so I voted against recommending approval on it, and that was the same reason, I think, that Frank Schreck voted against it at the commission level—he and Clare Haycock. I think it was because of some of the people who were not forced out at the beginning.

Sam Klein was an owner and director of Bally Manufacturing. Who were some of the other officers of the company and major investors?

Well, originally, there was Irving Kaye, and some other people who they got out before they came in for licensing. I can't remember who those people were, but there were two or three at least that they eliminated from the company before they applied for licensing.

Who was the president of the company?

Bill O'Donnell. He had started out as a low-level employee and worked his way up in the organization. There were concerns about him, but they were all concerns relating to people he associated with while he was running Bally. Most of the other applicants had problems they brought into the company in terms of the nature of their business and the kind of activities they'd engaged in before

folding their business into Bally.

Was there quite a bit of discussion between you and Phil Hannifin and Jack Stratton as to whether they should be recommended for licensing?

I don't recall a *lot* of discussion, but I felt that Sam Klein should be out and they didn't. So it went up two-to-one in favor of licensing. We were in agreement on a number of those that were recommended for denial. But I felt that Sam Klein should have been one of those who were eliminated. I wasn't as concerned about Bill O'Donnell because he had been more of a business functionary. He didn't operate the illegal operations. He ran the manufacturing and distribution of the machines to these other people, and it was the other people who had the problems. I also felt the company needed somebody to run it, and he had no unsavory associations. I don't recall any connection between O'Donnell and Gerardo Catena. If there was any, it would have been very tangential. Sam Klein, on the other hand, a year later got caught playing golf with Gerardo Catena.

Who was Mr. Catena?

Catena was the head of a major organized crime family, a mafia family, in New Jersey.

What was the final decision of the Commission? When you voted two-to-one, did they have to approve it unanimously?

No, because it was a recommendation for approval. If we'd have recommended denial by two-to-one, then they would have had to have a unanimous vote. There were a number of people who were recommended for denial in the process. Irving Kaye, for example, was denied, and with that then the other people were satisfied. As I said, I think he had started out with a pinball or a pool table company, and he had some routes where he distributed machines and tables for money on the East Coast, I think around the Boston area.

So there was a slight adjustment as far as the owners and the percentages of the company that they owned.

Yes. Alex Wilms was approved, and he was in charge of the European operation. And when I say in charge, he had the distributorship for Europe, so when they folded all this into the one company, I think he may have still been a distributor, or he might have come in-house with some of the stock and operated it as an in-house subsidiary. And Dino Cellini was in charge of Africa and southern Europe—Italy and the area around the Mediterranean.

They certainly had a worldwide operation, didn't they? No wonder they wanted to take over Nevada.

Yes, and, again, I think they wanted more of the profits, and more control over their distributors after they got nailed a couple of times.

Did Dino Cellini have some unsavory associates also?

Dino Cellini was the gaming expert for Meyer Lansky. On the other hand, his brother worked here in Vegas for years, working the table games in various casinos. He had a good reputation. [laughter]

Samuel Klein was approved for a license, but on a one-year probationary basis. Was Mr. Klein ever given a permanent license?

I don't think so, and I'm not sure that it was one year; it might have been longer. I think within the year, though, he was caught and pictures were taken of him playing golf in Florida with Gerardo Catena, and that did him in. They eventually held hearings and got him excluded from the company—revoked whatever license he had at that time.

Did Bally Manufacturing become the corporation that operated hotel-casinos, such as Bally's Hotel Casino?

Yes. That's how it started. It was later split into two entities, and it was probably in the 1980s that they spun off the casinos—one here, one in Reno—that had been acquired, and one in Atlantic City that they had built from scratch and owned from the outset. And the man who headed it up, Arthur Goldberg, died a couple of years ago. He was the one who folded it into Hilton. Before that, my understanding is that he had a battle with one of the directors or the president of Bally—not O'Donnell; I think New Jersey made O'Donnell get out. But there was a disagreement between the fellow who'd invested in the company after New Jersey opened, several years after or a couple of years after at least—went on the Board and then eventually took over—but there was a battle between him and the president and a guy who had been the director and helped do the public offering for Bally. And the way they divided it up was to give the president the manufacturing and Goldberg took the casinos and then he formed a company called Park Place Entertainment.

So there is no more Bally's?

Not as an operator. They still have the name. In fact, Bally Manufacturing had to pay a fee to Goldberg for using the Bally name, because he controlled it when they split it, and he kept the rights to the name in his company.

So these Bally hotel casinos that you see now are owned by Park Place?

Right. Right.

Is there anything else about Bally Manufacturing Company you care to add?

An interesting thing is that Frank Schreck, Clare Haycock, and myself, a few years ago, ended up on the compliance committee when Alliance Gaming, in a hostile takeover, took control of Bally Manufacturing, and all three of us were “no” votes in the original licensing application.

During your time on the Board you must have come in contact with many interesting personalities. Are

there any unforgettable characters you'd like to talk about?

Billy Weinberger was a restaurant owner from Cleveland that came out here and ended up as president of Caesar's. One of the major shareholders of Caesar's told Phil Hannifin and I at lunch one day that titles meant nothing in the gaming industry, because the guy there with Billy Weinberger had the title of vice president, but he really ran the business on a day-to-day basis. His name was Harry Wald.

So Weinberger was a figurehead?

Yes, but Billy was one of the best hosts in the business. I mean, he was a super host, and everybody loved Billy. He was just a very nice man, but, again, that's not what you normally expect from your president. It's usually an operating position.

How does a fellow that ran a restaurant in Cleveland become the major operator-owner of a major hotel?

I don't know how he got into it, but he was sure successful with it.

What was interesting about him?

So many people liked him. Wherever you saw him or whenever I stopped by to see him, he was just a very gracious and warm human being and made the customers feel good. He had this following from the Midwest that came out here, and they were good customers, and it didn't hurt to have those kinds of people talking to the president rather than the vice president, Harry Wald, who was the guy really running the place.

Were they licensed during your term?

They were both already licensed at Caesar's when I came on.

Didn't Jay Sarno start Caesar's Palace?

He was part of the group that started Caesar's, and he's the one who created the design of Caesar's and of Circus Circus. Circus Circus was originally designed to be a slot arcade or part of the slot department area for Caesar's, but they didn't build it, so he used the same plans and built Circus Circus.

So Sarno went from Caesar's to the Circus?

Yes. He built it and organized the people who funded it.

Weren't they two of the earlier themed casinos?

Yes. One year after Sarno died, he was recognized at one of the gaming conferences as one of the most creative casino designers.

Was Sarno the leader in Las Vegas as far as designing themed casinos?

Well, the Dunes had an Arabian Nights theme, and the Aladdin had a theme but they didn't carry it throughout the casino. With Caesar's the theme carried down to the uniforms on the cocktail waitresses and everybody else. They carried the theme throughout the location.

* * * * *

Would you tell us of your association with Donald Trump?

I had a good friend, Steve Hyde, who died in a helicopter crash, who worked for him, and Trump asked me to go to work for him after Steve died. Steve had started out as an accountant when his accounting firm did the books at Caesar's. They moved him in-house and he handled the fills to the baccarat pit when it was all cash and there were some questions about whether the fills were going all the way from the cage to the table. He worked his way up to become the casino administrator, and then when Caesar's opened in Atlantic City, he went back there to run Caesar's. Eventually Steve Wynn hired him at the Golden Nugget, and then Trump hired him away from the Golden Nugget.

So after the helicopter went down Mr. Trump contacted you?

Yes. He put my wife and I in the Plaza Hotel, in a very nice suite. When we met he made a proposal to me, and I told him I'd think it over. When I got home I called back and told him that I didn't want to move again. I had just moved back to Las Vegas not too long before, and I didn't want to move back there again after just moving back here. I knew that he was not an easy man to deal with, but it was mainly the moving. And so that's what I told him, that I didn't want to move. This would have been in the early 1990s, because I was with Golden Nugget until 1988. Then I came out here when Steve sold Golden Nugget in Atlantic City to Bally, because they were battling with Trump and they could only have two licenses. And by Bally buying the Golden Nugget, that gave them two locations which with the two that Trump had would be four, one more than the law allowed. But he ended up striking a deal with them eventually and then he got the law changed and ended up with a lot of money when they bought him out. They had bought the place from Steve to use as a defensive tool in their battle with Trump. And so I moved back to Las Vegas when it was sold, which was the summer of 1987.

Had you met Mr. Trump before he invited you and your wife to the Plaza Hotel?

Oh, yes, I had met him at various functions in Atlantic City, and I had his top man co-host a fundraiser, a golf tournament.

Who was that?

Nick Ribis. He was a New Jersey attorney. We worked together on the fundraiser, and Trump played in it and made a substantial contribution.

What impressed you about him—his personality?

Well, he thought he was an expert in everything. Not arrogant, at least not from my viewpoint; he just thought of himself as an expert on anything to do with casinos and he had an instant rivalry with Steve Wynn. He was just an interesting character who made millions in real estate and owned places like the Plaza Hotel in New York City next to Central Park. My understanding was he would call his top people at any hour of the day or night. Steve Wynn was almost like that, but he would usually call people who were working on the night shift. Trump would call his top guy at home and wake him up. [laughter]

Is there anyone else you care to discuss?

Well, Lefty Rosenthal certainly was a character—loud mouth and, again, very self-assured, very authoritative. We battled each other when I tried to take his work card away, but we got along fine when the court gave it back. Had no problems with him.

Did you have much personal contact with Allen Glick?

Yes, but Allen Glick is not a very personable person. There's nothing striking about him. He's not a demanding person. He was pretty quiet and low-key. Not too exciting.

What's he doing now?

As far as I know, he's doing the same thing he was before he came here, and that's real estate development in southern California.

Another interesting character was Big Julie Weintraub who was well known for creating the real high-roller junkets out of New York to Las Vegas at the Dunes. I met him and got to know him because he used to come to the Golden Nugget in Atlantic City. His son worked for Golden Nugget in Las Vegas in the baccarat pit. Julie was certainly one of the key people in the marketing of Las Vegas, and part of the history of Las Vegas was Julie Weintraub.

What casinos was he associated with over the years?

In Las Vegas it was the Dunes.

The Dunes only?

Yes, as far as I know, and that was where he developed his reputation and the concept of the high-roller junket. I don't know that he brought them into anyplace else. But he did come to Atlantic City frequently.

I also met Joe DiMaggio and had breakfast with him there, and it was interesting to get to meet him.

Was he associated with any of the casinos?

No. His attorney was a high-roller and a player, and, of course, Joe was good to have around a

casino at a party function. That's how I met him. I had actually met him out here at a party one other time, but I got to visit with him and have a meal with him at the Golden Nugget in Atlantic City at a high-roller party.

I recall Willie Mays and Mickey Mantle were representatives for one of the casinos and it caused a problem.

I met both of them, and have autographed balls from them. I was chairman of the Atlantic City Convention & Visitors Authority for four and a half years from about 1982 to 1986, 1987. I remember we went someplace to try to convince a group of meeting planners to bring their meetings to Atlantic City, so we had Mays and Mantle in our booth signing autographs and signing baseballs, and I got to be with them all day.

Were they working for a particular casino or for Atlantic City?

Mays was working for Bally Park Place in my recollection, and Mantle was working for the Claridge.

I know they were almost outlawed from baseball because of that association.

Right! They couldn't participate in anything in the baseball industry while they were working for a casino. I think Mays later quit so he could fill some function in baseball. Mantle he got very ill. He was a heavy drinker, and I don't know how much that had to do with his problem, but he had quite a reputation for being a heavy drinker.

Are there any other characters you'd like to talk about, Shannon?

Yes, Shelby Williams. He had at one time run the Silver Slipper, and then he built and operated the casino which is now Harrah's on the Strip. When he died his wife, Claudine, took over the company. When they were acquired by Harrah's, she went on the board of Harrah's, and she is a terrific lady. But Shelby was one of those original gamblers. I mean, he was not a mobster; he was a gambler and an interesting, interesting fellow and good marketing person.

Did he grow up in Nevada?

No, he didn't grow up in Nevada. Most of the gamblers didn't in those days. I'm not sure where he came from. Once we were asking about where some of the money had gone when there was a sale of the Silver Slipper, and he said he left his son a big chunk of money under his pillow. [laughter] Just interesting things like that. But, again, he was an excellent operator; he was one of the old school. I'm sure he learned his trade elsewhere and came here to run the Silver Slipper, and when it was sold, he built the Holiday casino, which is now part of Harrah's.

Did Claudine help Shelby in the operation of the Holiday and the Silver Slipper?

Yes. And she did a good job running the place after he died.

Is she still on Harrah's board of directors?

That's my recollection, if it's not the full board, it's the board of the Nevada operations, but I know she's on their board. And I think she has served them well with her ability and her knowledge of the community. She's just one of the sharper lady executives around.

* * * * *

When did you leave the Gaming Control Board?

In the summer of 1975. I had an unusual four-year term. I was appointed for four years in January of 1971, and during the legislative session that year they decided that all the board members should end their term on the same date as the governor, so they changed the expiration date to July. So they changed my term, and I got a new four-year appointment in July of 1971. Then in the 1975 legislature they changed it back to what it was before, so I served a full four-and-a-half-year term, and Jeff Silver served a full three-and-a-half-year term, and then they got back on track.

Why did you decide to leave the Control Board?

I had never decided to take it as a career. I was an attorney, and I didn't believe that the Board was something I wanted to do for the rest of my professional life, so I had agreed to take it for one term.

When you were on the Board did you have any clients?

No, I couldn't have. And I wanted to practice law, so I got off when my term ended.

Did the financial situation affect your decision at all?

Somewhat, yes.

The job isn't or wasn't that high a paying job, I would imagine, compared to having a law practice.

No, it wasn't. I think I was making something like twenty-four thousand a year when I left that position, and I made over thirty the first year in practice and then it went up from there. And, of course, I was only in practice a couple of years before I went in-house with the Golden Nugget. It had become one of my clients.

And you, of course, had a growing family at the time you left the Board.

Oh, yes.

Who was named to replace you on the Board?

Jeff Silver.

Was there a controversy in the media or in the gaming industry when you left the Board to enter the private sector?

I don't recall any. I served my full term, I wasn't there for number of years, and I didn't go directly out and join a casino. And it was before anybody working for the state was required to have a cooling-off period.

What law firm did you join? Did you have offers from different law firms?

Yes. I could have gone back to the firm that I left to join the Board, which was Lionel Sawyer & Collins, but I wanted to have my name in the title. I ended up having a conversation with Frank Schreck, and he was in a very small firm. There were three of them in the firm: Ty Hilbrecht, Frank Schreck, and Terry Jones. Terry was a quiet guy who didn't get a lot of attention in public, but he did the quality work that they were able to bring in. When they asked me to join them, I thought it would be a good firm to join. I wanted to be in a quality firm, and these were all people with Ivy League backgrounds and they were top-quality people.

So did you become a partner? Did it become Hilbrecht, Jones, Schreck, and Bybee?

Yes, it did. [laughter] And one of the interesting things is that the first associate we hired after that was a guy named Peter Bernhardt, who was recently made chairman of the Gaming Commission. He was a brand new attorney when he came to work for us.

While you were with Hilbrecht, Jones, Schreck, and Bybee, did you represent a lot of gaming clients?

Not a lot, but a number, and it was growing. Schreck brought in some. I brought in most of the gaming business. I was better known from having served on the Board and working with them so much of the time. By the time I left to go in-house with Golden Nugget I was bringing in most of the gaming business. When I went to work for the Golden Nugget they were already licensed, and Steve [Wynn] had asked me if I could handle their SEC work, that sort of thing. They were a public company, so they had to comply with the SEC. Steve's attorney, who was in California, had taken a leave of absence from practice of law and spent a year traveling the country with his family, and so Steve needed counsel and called and asked me if I would take it. This would have been in late 1976, something like that. So it was over a year after I left the Board that I started representing him. Then when New Jersey started gaming and he decided to go back there, he asked me to come in-house full time to handle regulatory matters, and that was in October of 1978.

Did you first meet Steve Wynn when he was called to be licensed in 1973?

Yes.

Did you maintain any association with him before you became his attorney?

No. We had contact, because from 1973 on he was running the Golden Nugget. I can't remember anything specific, but I probably had some contact with him in that role. Then it was in the fall of 1976 that he asked me to be his outside counsel, and start handling all the legal matters for him. They didn't have the official title of outside counsel or general counsel. It was just we were in a law firm that did his legal work for him here in Nevada.

So you didn't leave the law firm?

Not at that time. I went to work October first of 1978 full time for Steve, and I left the firm to do that.

Did he hire you for a specific assignment?

Yes, to handle all regulatory matters. And there were quite a few, both with New Jersey and with raising money for New Jersey, so I got a variety of experiences doing that. And while Steve was out raising money for New Jersey, I was running the casino in his absence—the whole place, actually. I oversaw the whole place. I didn't have any title other than vice president for gaming, but I ended up managing the operation while Steve was on the road raising money for Atlantic City.

It sounds like Steve Wynn wasn't a hands-on owner?

No, Steve was very much the hands-on guy all the time. But when he couldn't be there, or at the Nugget here, I was in charge. I had to move back to New Jersey, and really got involved with that, but it turned out that they didn't need me full time in New Jersey. Then I made some of the trips on the fundraising circuit with the public companies selling the bonds and that sort of thing and I got to see the Windows on the World. We held a presentation there at the top of the World Trade tower and there was a group of New York investors and fund operators that we made our pitch to about what we were going to do in Atlantic City and how that was going to work.

Were you involved a lot with the gaming regulations in New Jersey?

Not all that much. They were pretty well in place by then. They didn't look for outside help from me. I initially did consulting for a major accounting firm that was trying to get the contract to write the internal controls, but they wanted to charge more than what had been budgeted and another firm got the contract. But I helped put their proposal together because they didn't have anybody with any gaming experience, but they didn't get the deal. That was my one chance to work on the regulations, and I didn't get it. By the time I went back there with Steve, the regulations were pretty well done and they already had a couple of places open. I think we were the third or fourth casino to open there. We didn't open till November or December of 1980, and I moved back to run the place in the summer of 1981.

What year did the first casino open in Atlantic City?

Nineteen seventy-eight. It was shortly after that that Steve decided to have me come in-house. He had decided he was going to New Jersey in 1976 when the people approved a referendum legalizing gaming. The Resorts International was the first casino to open and it opened on Memorial Day 1978. Steve went in and looked at the crowd in the casino and turned to Bob Maxey and said, "Let's go get some property." [laughter]

[laughter] So he went out the door and down the street and bought some property?

Yes. He bought some property right next to Resorts. It was too small a piece, but we operated our offices out of there for a while. In the meantime, he also had this other deal further down the boardwalk, the one on the opposite end of the boardwalk that is still the last one on the boardwalk. We got that built and were able to buy enough land there to do what he wanted to do. That's why we put it down there and then sold the other property.

Were the New Jersey gaming regulations patterned after Nevada's regulations?

Somewhat—although they felt Nevada didn't have a good reputation, so to succeed there they felt they needed to be different and be tougher than Nevada. So they had very detailed rules for every game; the rules of the game were spelled out in the regulations.

Did they go so far as to state things such as how many times twenty-one dealers could shuffle the deck?

They may not have gone that far, but they covered the way they had to shuffle and they had to deal the cards to the player face up. The player couldn't touch the cards. Things that they had felt that we weren't tough enough on in Nevada. So they went beyond what we did in Nevada.

Did they establish a percentage of return on slot machines?

Yes. I think they had to pay back at least between eighty and eighty-five percent. And now Nevada does the same thing. They never did take that full amount. Strict competition kept the percentages lower than the state mandated.

Did they stay open twenty-four hours a day?

Not initially, they didn't. I think they were open twenty hours on weekdays and twenty-two hours on weekends or something like that. But they did have to close down for a period of time. They thought it was right that the players should have to go home. They didn't tell you when you had to open or when you had to close, but basically competition dictated everybody open and close at the same time. Otherwise, you're going to lose your business to somebody else. Eventually they saw the error of that and went to the twenty-four hours.

Were they always open seven days a week?

Yes, it was just the number of hours per day that was changed.

Have some of those regulations eased off a little?

I think there's no question they have backed off somewhat in areas where they have gained confidence and learned more about the industry. Nevada, on the other hand, has gotten tougher and gotten more like New Jersey in a number of ways. One deal that was interesting to me is we had imposed the requirement here that if you had a car or some other big prize for a jackpot, you couldn't remove it anytime you wanted; you had to leave it there until it was won. They had the same rule, and then finally somebody talked to them and they decided that when a person put their coin in and pulled the handle, that's all they were entitled to, and that the house could replace that machine with other machines without having to keep the large jackpot prize available on the casino floor.

Would you say that Nevada gaming regulations have been used as a model in the Indian gaming casinos and in gaming locations throughout the world?

Well, yes. But there are also a lot of locations who base their regulations on New Jersey law. Foreign countries, like Australia and South Africa, are based more on New Jersey laws than on Nevada laws, because they wanted stringent control. Trying to identify any particular set of regulations, where they came from, is very difficult, except in Mississippi. They really adopted Nevada laws. They took the whole thing and passed it and changed a few words here and there to fit, except one place. They forgot—or missed the fact—that they mentioned the chairman of the board and they didn't have a chairman of the board. They had a chairman of the commission, and what they meant was the executive director of the commission.

Even though they used the statutes and regulations from Nevada—and they still do for the most part—they operated with only one agency for everything instead of having two agencies. New Jersey had two agencies: one of them reported to the attorney general and the other one reported to the treasurer.

The commission there had a staff of their own and we had to file information initially with both agencies. Then finally, a few years ago, they sat down and worked out a deal where you could cut out the overlap, and that helped make it a lot less expensive to comply with the regulatory process.

How about the Indian casinos? Are their regulations pretty much the same all over the United States?

No, they vary from state to state, tribe to tribe. Some of them are different for every tribe because they're all sovereign nations. Some of them developed their own regulations by getting somebody from either New Jersey or Nevada to come and help draft them. And, of course, depending on who they hired, that's what they were based on. There were people from both states who were hired by tribes to write regulations, but there were no regulations that came down from Washington until a couple of years ago when they developed a standard internal control system that everybody was supposed to comply with.

* * * * *

You've touched on this quite a bit already, but could you give me your job history with Mr. Wynn again?

Yes. I started doing legal work for him out of my law firm in the fall of 1976. And then in the fall

of 1978, two years later, when New Jersey had the successful opening they did and he decided to go to New Jersey, he asked me to come in-house to handle regulatory matters. Then after they opened in the summer of 1981, they asked me to move back and run the place. I became president of Golden Nugget, Atlantic City. I did that for two years and then he moved me up to a corporate level, and I became senior vice-president for community relations. He had run into some problems when he tried to get some zoning changed, so I began to work with the community and I also handled all of the political donations in both Nevada and New Jersey.

Did he donate quite a bit?

No. He wasn't nearly as shrewd then as he is now in that area. He hated to spend any money. I was the company's face in New Jersey. Because I had been president, more people knew me and I got more attention than some of the other people who did government-community relations, and so I ended up being sort of the official joiner. This was one of my most interesting things: I was on the board of directors in the Miss America pageant, and I got to introduce the new contestants, to the press at the first official event of the Miss America pageant. And I was on hospital boards. I was chairman of the convention and visitors bureau, president of the Boy Scouts. I was involved very heavily in the community. I didn't have to say I was representing Steve Wynn, because, there again, I was known as being his top guy in New Jersey. We ended up sponsoring a lot of the dinners and fundraisers and things like that. I was also in the NAACP, and got a citizenship award from them. So I was involved a lot in the community and I enjoyed that.

Was that your last job with Steve Wynn?

Yes. He eliminated my position when he sold the Golden Nugget in Atlantic City in the summer of 1987. When I came back here I had a contract for a year as a consultant. About the time that year was up, I was asked to go on the board of directors of the Claridge by Del Webb, and I agreed to do it. When I went to my first meeting I discovered that Del Webb was trying to pull out of New Jersey. Then the banker who was chairman of the board resigned because of a conflict, and I ended up being chairman of the board and involved with the heavy negotiations as Del Webb negotiated with bankers, and other people, in order to leave New Jersey and basically turn the company over to the other shareholders. There were about four hundred shareholders. Claridge was a public company, so they didn't have to license everybody; it was publicly owned but not publicly traded. There was no market, because it was too small a stock, plus the company was not in good financial situation. After Del Webb left I became the chief executive officer, and I served in that capacity until 1983 when I received an offer to become president of United Coin, here in Las Vegas. So I left Claridge but I stayed on the board. I was still a director and after a year chairman of the audit committee until the Claridge was sold last May—May of 2001—to Bally Park Place.

Is that what it's called now, Bally Park Place?

No, it's still called the Claridge. It's right next door to them, but they didn't change the name, or at least haven't so far.

Would you compare operating a casino in Atlantic City to operating a casino in Nevada? Do they have the same problems?

Some of them. The Claridge was the smallest one there, and we did over a hundred million in revenue. At the time I came back here, I remember seeing a report showing that there were only two or three casinos in the state doing a hundred million a year in revenue. The smallest casino in Atlantic City did that, and so you had much more consistency in the type of operation there than you did here. But it was expensive to operate there. Everything was more expensive: labor, regulatory costs, anything you did cost more there.

Why do you suppose that the lowest casino could make a hundred million dollars? Was it because there were less casinos or because of the large nearby drawing area?

A little bit of both. They were all good-sized casinos. We had twelve hundred slot machines and sixty table games at the Claridge, so that was a big factor. The other factor was they had more win per machine than here. There the average win per machine was probably in the two-hundred-dollars-a-day range, and in Nevada it was less than a hundred. So that made quite a bit of difference in the revenue. And there were over a thousand buses a day coming into Atlantic City that would come down for a few hours and then go back home. And then we had a lot of good high-roller action from New York, Philadelphia, and northern New Jersey. And we had the only casinos that were there until Foxwood opened in Connecticut. There were basically a dozen casinos in Atlantic City and nothing else in the neighborhood. That's changing today because Delaware has slot machines at their racetracks. There are two tribal casinos in Connecticut. Now, they're talking about doing an Indian casino in the Catskills, so it's going to be tougher and tougher to do business back there. They were less affected by the events of September 11 this year than Las Vegas. They didn't drop as far and they recovered quicker because most of the people were drive-ins rather than fly-ins.

And still a lot of bus people, I imagine?

Yes. Yes, I'm sure.

Was there competition between casinos as to what they would offer these buses to come to their casino?

Absolutely. It frequently got out of hand, when you were giving back to these people on average fifteen to eighteen dollars per person. It's tough to make money when you do that. You generate a lot of revenue, but a lot of it's your own money. In some respects it was like a local casino because a lot of the people are close by. Philadelphia is just over an hour, north Jersey was two hours and New York City was two, two and a half hours. So you're talking about people who'd come down several days a week so you did get a lot of shots at them.

Did a lot of people drive up, or would they mostly come on a bus?

There was some drive-in business. It was just that the bulk of numbers was on the bus because you figure a thousand buses a day and they all hold forty people. They probably averaged at least thirty to

thirty-five people per bus. That's a lot of people. A couple of places had parking garages, but a lot of people didn't like to drive down near the boardwalk. Traffic was bad, with narrow streets. It's an old city with narrow streets and no parking. Unfortunately, in some places they had parking and they couldn't get them to take the parking lanes out because the local store owners were losing business and they didn't want to lose any potential business from people who wouldn't come to their store because they couldn't park nearby.

Did they have good room occupancy?

Not as good as Las Vegas. And there weren't many rooms; most of them didn't have more than the five hundred. I think they might have one that has fifteen hundred or two thousand rooms now. The Tropicana built another tower, but they were usually five to eight hundred rooms because the minimum you had to have was five hundred. And, again, they were catering to people who were driving down and going home. They weren't coming there on holiday; they were coming to gamble. You get a lot of people coming to Vegas on holiday, but in Atlantic City they're not coming for a holiday where they're going to be there for three or four days and do a variety of things. You're talking about people who drive down and gamble and go home or take the bus down and gamble and go home, so you don't get the hotel room usage that you do in Las Vegas.

Would you tell us a little about Steve Wynn?

One of the reasons I enjoyed working for him was if we were walking through the casino he would point out why he had designed certain things the way he did. If he noticed an area that to him did not stimulate the eye, he wanted something on the walls, he wanted something to attract the eye and to get people excited. That's what he's done with everything he's built, and walking through the place with him as he looked for problems of that sort and design problems was an education in and of itself.

Steve was the guy who rebuilt a bird cage. It was supposed to have had parakeets and other live birds in it, but they kept pretending they were stuck and screaming and so we ended up giving them to a zoo and putting in mechanized birds, designed by people who worked for Disney. But this big cage had to be two stories high hanging in the lobby. They designed it with brass plating, but he did not want brass plating. It had to be solid brass, which cost about forty, fifty thousand dollars more. But that's the kind of attention to detail that Steve has always had.

Where was that bird cage?

That was in Atlantic City at Golden Nugget. I can remember when he added the hotel downtown at Golden Nugget here before we went to New Jersey. In fact, it might even have been while I was outside counsel. One day he was sitting in the lobby looking at things and he started moving potted trees around to get the look he wanted. [laughter] When it comes to understanding the customer and making a place exciting, there's nobody like Steve Wynn who understands what motivates people and has the sense to work with the designers. In fact, sometimes he can be very frustrating for the creative people, because Steve doesn't always choose his words carefully. He never worried about people's sensitivities, and he could be very tough on the creative people's egos—the architects and the interior designers. He was a guy who could make you feel like nobody else. His choice of words and the way he would describe you, it

was just excellent. But if he got mad at you, he could also make you feel pretty lousy; he didn't hold back there either. Other than being impatient, he was just one of the most creative people in the industry. I think that's why everybody has been waiting to see what he is going to do at the Desert Inn here and then they'll follow. They did the same thing at the Bellagio. They waited till the Bellagio opened, and then you got a whole string of new ones. You got Mandalay Bay, you got Paris, you got the Venetian. Those were all after he broke the ground with Bellagio.

Does he remind you in any way of Bill Harrah as far as striving for perfection?

Well, I didn't know Bill Harrah that personally, but Steve clearly tries to get perfection, and particularly in things that appeal to the sensitivities of people. He knows what draws them in and he makes them feel a part of something and makes them want to stay there for a long period of time. Some places will offer you a lot on the outside, but when you get inside they fail to deliver on their promise. It's just another cheap design job. With Steve, he enticed you inside and then he delivered on that. The inside was spectacular and the inside did have the quality that the people expected from looking at the outside. It was always interesting to me that some of these places could not draw people in, or they'd draw them in for a show or something like that and then they'd leave. Steve would have free shows like the volcano in front of the Mirage, and then the people would go inside and lose their money. [laughter] He was able to do that much better than anybody else in the industry.

Bill Harrah used to say, "Treat people like you'd like to be treated yourself." It seems Wynn follows that concept, also, to give people their money's worth.

Yes. Although he wants people at the top level to be treated like that, the people down at the bottom level he relates to less.

Did he treat the customer like he would like to be treated?

No, because I think he had higher demands than most customers. [laughter] He wanted to take care of the customers' concerns, and he understood the customer. He understood what the customer wanted, I think, better than just about anybody. And so it wasn't a matter of, "You treat the customer like you'd like to be treated." It was, "You treat the customer the way *I* want you to treat him." That is probably a better way of describing it. I think he didn't have total faith that his people would treat all the customers right if they just treated them the way they'd like to be treated. He wanted something more than that.

Were you surprised he didn't create another position for you after they eliminated the position that you had?

Well, Steve goes through people. He's only had a couple of people that have stayed with him for extended periods of time. I'm not sure why he eliminated the position, but he did. When he got out here he hired a PR guy who was very good at working within the community and doing public relations—Allen Feldman. I think sometimes he liked changes, to try different things, to try different people.

Did you leave on good terms?

I think so. My position was being eliminated, but he'd given me a contract for a year as a consultant. So I worked the legislature and worked out of my old law firm so if I brought in business I had somebody to help take care of that. I also did a lot of public affairs consulting with companies, including United Gaming, around 1987 to 1988, and I did work for United Gaming at that time as a consultant. We never had words. I never heard any disparaging remarks or anything like that, and I certainly learned an awful lot working for him.

Do you see him on occasion?

Only if we happen to be at the same functions. I haven't seen him for a while.

Is he losing his vision? What is the name of the eye disease that he has?

Retinitis pigmentosa. It's a gradual deterioration, and everybody progresses at a different rate. His has been pretty slow over the years. The last time I saw him, Elaine [Mrs. Wynn] told him who I was as I walked up, and it was like old home week. We visited and got along well. But it was obvious he has problems recognizing somebody more than two, three feet away.

In 1994 you joined the faculty of the William F. Harrah College of Hotel Administration and the University of Las Vegas International Gaming Institute. What prompted you to leave the gaming industry?

I had taken the job as president of United Gaming because I was tired of traveling back and forth from Las Vegas to Atlantic City. I had commuted from 1988 to 1993, so I was looking forward to less travel. But when I got that new job, that year I traveled more than I did before. I was in Montreal, Canada, at a gaming conference and I happened to see a flyer for the teaching position here and I responded to it and got the appointment, but I couldn't take it until the next year. That was in fall of 1993. And so in the summer of that year I left United Gaming and came to teach here.

How long has the University of Nevada, Las Vegas had a college of hotel administration?

The hotel college graduated its first graduates in 1969, and I understand it was about 1966 when they started it with a grant from the Nevada Resort Association and actually hired some of the Nevada Resort Association people as teachers. One of them, Leo Lewis, taught here for many years. He died a year ago or so, and up until a year or two before that he taught a course here every year.

So it wasn't originally called the William Harrah College?

Right. I'm not sure when the name change occurred, but I think it happened in the late 1980s, or early 1990s. But anyway, it was renamed the William F. Harrah College of Hotel Administration. And in 1993 they created the gaming institute, so we're now an institute within the hotel college. You can get a bachelor of science in hotel administration, and you can specialize in gaming, hotel operations, food and

beverage, tour and travel, conventions and meetings, and in recreation and golf course management. We have about two thousand students. We're the biggest contributor to the international student body on campus. About 20 percent of the student body in the hotel college are international students. And now our graduates are recruited throughout the world. The major hotel chains, like Marriott, recruit here very actively.

The gaming institute was designed for teaching or training people in the industry. It was created when gaming started to expand throughout the country and everybody was calling trying to get some training. They did their first gaming regulator training in early 1994.

The people that just go to the institute are not in the college?

Right. The institute is not an academic program. It's a training program like continuing education is at UNR. I got involved with about the second or third one of those seminars when I came on in the fall of 1994. We continued it and we revised it and now we do about six seminars a year—at least six seminars a year relating to gaming regulation or surveillance. We also do training away from here for gaming regulators and for management training.

Do you mean away from this building, or away from Las Vegas?

Away from Las Vegas. I've been to Atlantic City, to Mississippi, and we've been talking lately with Michigan about coming there and doing something.

So the gaming institute has functioned very well. We're developing more and more management courses. We've done a lot of management training for the Indians. We have had two tribes where we did a major training program for them. One of the programs is still going for a tribe out of California.

Stan Fulton contributed six million dollars when this place was built, so it's called the Stan Fulton Building, and it's designed for continuing education. We do all kinds of seminars here.

Would you give us some background on Mr. Fulton?

He was one of the first developers of the poker machine. CEI was the name of the company that he developed it under. Later he was a major shareholder in United Gaming. Then he left and took some of the business that United had in route operations with some grocery store chains, started his own company and hired some people who were very good at gaming design. They designed some machines that were very popular and they leased them and developed the concept of leasing the machine so that you had a stream of income rather than selling it outright.

Were they only poker machines, or did they lease all types of slot machines?

They didn't lease the poker machine. By this time the poker machines were in United Gaming and other people had developed machines that did more. These were new gaming devices—the wheel of fortune, and that type of game. They developed the games, and then they would contract with Bally and IGT to build the machines and then they put on their add-ons to create different games, bonuses, and that sort of thing.

Is Mr. Fulton still alive?

Yes. He sold out last year for something like five hundred million. The company by then had acquired racetracks, and he took the racetracks from them and now runs slot machines at some of the racetracks. So he's made a lot of money, and he'll probably make another pile of money with his racetrack operations.

Is the International Gaming Institute self-sufficient? Does it pay for itself through charges to the students?

Yes. We get no state budgeted money. I think other institutes on campus have the same situation, but we have to earn all the money we use to pay for our staff and those kinds of things, so it's imperative that we make money in order to have a program here.

So Mr. Fulton doesn't contribute any more on a yearly basis?

No. He gave Anchor Gaming stock, and the stock was originally supposed to be about five million, but by the time it was sold it was worth six million.

At the college, apart from the institute here, you can earn a master's and a Ph.D. in hotel administration, but you can do your dissertation or your thesis on a gaming topic. We have over a dozen gaming courses, and three or four of those are at the graduate level. So you can truly get a Ph.D. in gaming here in that sense. You can get a broader background, which is good, because you are going to have to do other things, like general marketing, statistical analysis and things like that. We have two instructors who teach some gaming. One worked in the industry, the other one did not. We have, actually, three people on staff who got their doctorates through the hotel college, and one of them was experienced in the industry and he teaches gaming courses, undergraduate and graduate level.

Does he still work in the gaming industry, also?

No, he's a full-time instructor.

How many classes do you teach, or what have you taught over a period of years?

Most of my courses have been in casino management or gaming regulation, and I teach one class at the law school. I have the last few years. I usually taught one class in the law school each semester and one class in the hotel college, and for the last couple of years I've been teaching hotel law because we lost our graduate instructor in hotel law. But I'm finishing up. This will be my last semester doing that. We have a new professor who came on last spring who will teach it from here on. So mostly what I've taught was gaming regulation and casino management at the graduate level. I also taught gaming law and gaming regulation at the law school when I was on loan to the law school. And so I taught one course in each place and the rest of my time was spent as executive director of the gaming institute.

Have you given courses at the gaming institute, also?

Yes, but those are training courses, not academic.

How many seminars a year do you conduct?

In gaming regulation we do at least a half dozen a year just for regulators. Next week the American College of District Attorneys is going to be here in Las Vegas for three days, and one of these days they're going to spend in the gaming institute. And I'll be helping instruct that. This past summer we put on a training program with the National Judicial College out of Reno for tribal gaming commissioners. We co-sponsored it with them and helped to put it on.

Do you have to advertise a lot to get people to come here?

Oh, yes. But the first group in here on our training program was a training program for gaming regulators from South Africa the day after we moved in. That really made us an international organization. People from South Africa and Canada, Australia, New Zealand, Japan, and a couple of countries in Africa have come here. We've put on some of the programs with Japanese where they used translators, but most of the regulators that have been here speak English. In our first graduating class from the hotel college in 1969, there were six graduates. Two of those have gone on to high positions in the gaming industry. One of them, Bill Poulos, has probably opened more casinos in more locations than anybody. He worked for Circus Circus and went to Australia and opened a casino there and came back and ran the Primm casinos in Stateline, then went to Michigan and he opened a casino there, and now it looks like he's going to run the Regent casino, which is in bankruptcy. The other one is Roger Wagner. Roger ran the Claridge in Atlantic City and he once ran an operation in Atlantic City for Trump. Now he is president of the Horseshoe Gaming Riverboat casinos for Jack Binion, so the two of them have had very successful careers.

Do the state regulators from the Board or the Commission attend any of the seminars?

We invite them all to attend the seminars. Sometimes they do and sometimes they don't depending on their work load. They started out teaching at the seminars for regulators, but it got to be too much of a burden on them and so we took it over completely. We're still listed as sponsored by them, but now when we put on seminars we invite them to send people and we'll have commissioners, as well as the staff people, that will occasionally attend our regulator seminars.

About how many people are on your staff here at the institute?

Well, full time we probably have half a dozen, and we use student help for various things. We have one lady who books the facility and books the rooms. Ed Polivka organizes the seminars and the training programs and prices them. Nakia Jackson is the young lady that since June has been our facilities coordinator, and she does an excellent job of doing that. She worked for Circus Circus before she came to work here.

I see you also have a library here. Is that part of the gaming institute?

Yes. That was a grant from IGT. Originally there was only enough money for a part-time person, but now we have a full-time librarian, Betty McNeil, and we've done enough business to pay for her. We also have a chef who prepares the meals. Normally when we do seminars that go over to the lunch hour, we'll feed them here rather than just give them a break and let them go wherever they want and we build the price of the meal into the price of the course.

Would you tell us about an organization called the International Association of Gaming Attorneys and your involvement with that organization?

I was one of the founding group that got it started, as were Bob Faiss, Bud Hicks, Frank Fahrenkopf, and a couple of other people. We started it in 1979. When we first started it, it was the National Association of Attorneys and we had our first meeting in New York. Then we had one here. And then somebody came up with the idea of going to Europe. Mike Sloan from the Mandalay Bay group was also one of the founders, and I think he was the one who had the idea of holding it in London in conjunction with the American Bar Association. So we went to London for a couple of days and held meetings, then we went to the Riviera and to Monte Carlo and held more meetings there and we had good turnouts. We weren't sure we were going to have enough people involved so we ended up deciding to make it an international association and added one or two board members from England, so we had an international board and went from there. We meet usually once a year and do a seminar someplace. We've met in Australia and in Vienna, in the Netherlands, in London twice, and the Riviera twice.

Do you ever meet in the United States?

Yes, but not since we became international. But next year we're scheduled to be at San Diego, and then Canada. Wherever they have had gaming we've had meetings. We've also held meetings in Puerto Rico and the Bahamas.

How many people are in this group?

Well, now it's up to about three or four hundred and it truly is international.

Do you have a monthly newsletter or some method of communication?

There is a magazine that comes out twice a year that has articles in it on what's going on in different jurisdictions.

In your yearly meeting do you discuss things that have happened in the previous year?

No, we put on programs of various kinds, bring in other speakers. It's become a very popular place for regulators because they come and they get together, and they have even started their own International Association of Gaming Regulators. They're part of the gaming attorneys group. But they'll hold one day of their own meetings, and then we'll participate jointly. It has become a popular place for CEOs and other top casino officials to come and mingle with regulators and get acquainted on a personal basis with regulators where they weren't in front of them on an issue, and it has promoted communication

between top casino people and the top regulators around the world. That has become a very popular part of it. Every time they hold one, one of the things they try to do is to involve as many CEOs and other top people from the industry as well as involving the regulators, so that there's an opportunity for interaction, on an informal, friendly basis between regulators and the industry, instead of always meeting only when there's a confrontation of some kind.

Shannon, you've been in or associated with the gaming industry in one form or another for over thirty years. What are some of the changes you've seen happen in the gaming industry?

One of them is the recognition that there is a problem with the compulsive problem gamblers. The industry has done a lot in that regard in the last ten, twelve years making quite a bit of progress, especially over the last five or six years. That was difficult to get started, but it's become a very prominent issue, and the industry has really gotten involved with dealing with it.

You're getting a lot of support, aren't you, from some of the major casinos?

Oh, yes. I was appointed to the National Council on Problem Gambling, a board position, in 1991, and then I was named president of Nevada's council on problem gambling in 1995, and served in that position until last year. So anyway, that's a big, big step forward. Beyond that, the biggest change has been the expansion of gaming. Part of the reason for the expansion has been the good gaming regulation, both in Nevada and New Jersey. The governments discovered it was possible to operate gaming without people with criminal backgrounds who learned their trade in an illegal operation and that if the accounting systems were sufficiently reliable, they could keep track of the money and make sure that taxes were paid. When Nevada got into this, the only people with experience were those in illegal operations, and it took a number of years for those people to work their way out of the industry; however, time got rid of a lot of them. And buying them out when the major companies came in and started buying up places, that also helped.

But the expansion of gaming as a result of good regulation has led to a different attitude. Previously, gaming was presumed to be involved only with organized crime. For example, that was one of the top issues in the president's commission to study the national policy towards gaming in the 1970s. Their report came out, I think, around 1976, and that was a major issue. They found there was no problem, even though that earlier had been one of the major concerns of the Commission. With the last commission, the National Gambling Impact Study Commission, organized crime wasn't even on the list. It wasn't in the top ten or fifteen; it was no longer an issue. It was not an item of concern because, again, with the good regulation you had more people than who were willing to come and be a part of it who had a good background. And so one kind breeds the other: as you get more of those, people have more confidence in it. Groups like Wisconsin Teachers Association funded their pensions by becoming a major shareholder in some of the casinos. Many people's mutual funds had casino stocks and bonds and the casinos' public companies were widely held. You now had a lot of people who had an interest in gaming and who saw it in a different light than they did in the past. And so it wasn't so much of them against us or society against this group of law breakers; it was looked upon as a valid means to revive economic development, jobs, and taxes for government. And, again, I don't think you can overemphasize the importance that good gaming regulation contributed to that change in attitude and the ability to attract qualified people who did not have a background in illegal gaming. Now you have the same kind of

quality people who run major companies running gaming companies.

Didn't the real start of gaming regulations come during your term on the Gaming Control Board in the late 1960s, early 1970s?

Well, we accomplished a lot, but, you know, it's like most people's accomplishments; they're standing on somebody else's shoulders. In 1947 Attorney General Bible gave an opinion that the state could deny an applicant, and the first meeting after they got that ruling, they denied some applicants. Then in 1955 the state created the Gaming Control Board, and you had to be found suitable by the Gaming Control Board before you could go before the tax commission to get a license. Then in 1959 they restructured it by creating the Nevada Gaming Commission and giving them the final say on the licensing and left the Board in this recommendation posture where all they could do is require a unanimous vote by the Commission if they recommended denial. Now, before that time, if the Board found them unsuitable, they never got to the tax commission. Those were all things that were preparation for, I think, the work that we did.

We took it further and faster from that point, and I'd like to think that I'm *partly* responsible for that because I had the legal training and I had a desire to have things in regulations and to have more certainty and more consistency in the way these things were handled. We adopted regs for the public companies, which hadn't been there before. So we had the corporate regs, we revised the accounting regs, and we even developed new regs for the game of jai alai, because MGM when it opened had a jai alai fronton. And so we accomplished a lot, I believe, but it was because of what had occurred before, and we didn't yet have the benefit of the Rosenthal decision, which really put the Board and Commission in a solid position to deny people for things that a lot of us wondered would be upheld if we did it on those kind of terms.

That was an important ruling.

Yes. Very important.

GERALD CUNNINGHAM



Gerald Cunningham was born in Canton, Ohio in 1934 and moved to Las Vegas in 1962, after several years of military service. He was a member of the Las Vegas Metropolitan Police Force for twenty-five years prior to being named to the Nevada Gaming Control Board by Governor Richard Bryan in 1987, a role he filled until 1991. Noted for his tenacity and his determination to fully investigate applicants who came before him, his persona is perhaps best described by the following statement made by Mr. Cunningham during his interview: "I took on whoever it was. I didn't know how to back down. I've caused the loss of indictments in Washington, D.C. and I've even gone to jail for contempt in support of what I believed in." Mr. Cunningham's reputation for having a tough exterior is sometimes tempered by his recollections of actions he took to ensure that slot machine locations, or gambling of any kind, be kept far away from school and residential areas.

Gerald Cunningham, ca. 1988. Photo courtesy of Gerald Cunningham.

Dwayne Kling: Good morning. My name is Dwayne Kling. I'm with the University of Nevada Oral History Program. I'm in the city of Las Vegas, Nevada. It's July 31, 2002, and I'm with Gerald Cunningham in his home. Gerry, does the Oral History Program of the University of Nevada have permission to record the interview that we are about to begin today?

Gerald Cunningham: Good morning, Dwayne. Yes, you certainly do.

Thank you. Gerry, when and where were you born?

I was born in Canton, Ohio, on September 7, 1934.

When did you move to Las Vegas?

In 1962 after I got out of the military for the second time. I had been recalled in 1960 during the Berlin crisis, and prior to that I'd been drafted in 1958.

When you came to Las Vegas what profession did you pursue?

Well, really, I was running away from home . . .

[laughter]

. . . because the military had taken quite a chunk out of my life. When I came to Las Vegas, they were advertising for a police officer, so I made an application. I and a friend who had been in the Army with me went on to visit the World's Fair in Mexico and things like that, and then came back through at about the time they wanted to complete the process of the background investigation. And although they hadn't completed it, I told them I had to have a job, I was starving to death, so they put me in touch with a man by the name of Earl Black, who had Globe Investigations at that time. Mr. Black was interested in a full-time person, but I convinced him to hire me for the interim, and that I would work hard, so he ultimately did that.

I finally got hired by the police department in October of 1962, and I resigned to accept the appointment to the Gaming Control Board, given to me by Governor Richard Bryan in June of 1987. So I was with the police department for almost twenty-five years.

Had you known Governor Bryan prior to your appointment?

I had known him throughout my whole career. When I was a young detective, he was in the district attorney's office. Later he went to the public defender's office. He offered me a job there which I declined because I had just had a promotion. I think I was a sergeant. Then he went to the attorney general's office and he offered me a position there, which I declined because I'd made additional promotions. And I think ultimately the head of the Department of Motor Vehicles was a possibility, although I wasn't interested, because by this time I was deputy chief. Ultimately, he offered me the position on the Nevada Gaming Control Board. And it was really Bart Jacka who told me to get out of the Metro; it would be good for me. I subsequently accepted the appointment and went to the Control Board.

Who did you replace on the Board?

Bart Jacka, who was the chairman, was leaving and that left a vacancy. Mike Rumbolz took over the chairmanship, and then I took the position that was available.

Who was the other board member?

Dennis Amerine was the other board member.

Did you work with them the entire time you were on the Board?

Well, ultimately Dennis and Chairman Rumbolz both left. Mike was replaced by Bill Bible, who became the chairman, and Dennis Amerine was replaced by Tom Roche. At the conclusion, it was Bill Bible, Tom Roche, and myself on the Board.

* * * * *

One of the applicants that came before you when you were on the Board in July of 1987 was Caesar's Palace. They were requesting a 1.1 billion-dollar recapitalization, and you were very adamant in your position of denying the request; however, you had little support from the other board members.

Well, that's basically true. The application was considered shortly after I joined the Board. It was very voluminous, with a lot of financial things to go through. But in essence, what they wanted to do was to deregister the company in Nevada, and then subsequently merge it with a Delaware corporation. In the process they were going to give away \$26.25 per share. The underlying idea behind all this was to defeat a fellow by the name of Martin T. Sosnoff who had acquired a substantial position in the stock of Caesar's Palace. He wanted the position, as I recall, of a director. They declined to give him that, and so he then commenced an attempt to take over the company. I think someone figured that the company was probably worth about \$35.00 a share, and at the time Sosnoff was involved, it was very undervalued, probably anywhere from twelve to sixteen dollars. It moved up as more people became aware of what was going on. And, of course, it subsequently moved up very high.

But at any rate—this is very general—I felt that giving away \$26.25 a share was extremely detrimental to the company just to attempt to defeat a takeover. As I saw it, only the officers and directors were going to benefit highly by selling their shares in the existing company. And I think at that time I asked most of them, including Mr. [Henry] Gluck, how many shares they had, and then with the calculator we calculated how much they stood to earn. Then, as I recall, they were going to each receive 10 percent of the new company. So they were going to gain when they left and gain when they moved their corporation to Delaware. Whether the gaming company survived was immaterial to them because they would have become quite wealthy. I felt that the financial viability of the company was at stake. I felt that there was the possibility of the company going bankrupt because they were initially only going to pay interest only on the new loans which was a serious issue. Ultimately, I think, some of what I feared came true, because later Caesar's laid off several hundred people during a business downturn. I recall asking—I think his name is Mr. Rogers, who had shown projections for the 1980s, and each year, of course, Caesar's Palace revenues seemed to go up according to his projections. When I delved into what he used to calculate those projections, I asked him, "Did the national debt have anything to do with the projections?"

"Oh, of course not."

I said, "Did oil prices or any crisis have anything to do with the projections?"

"No, of course, it didn't."

"Did labor strife enter into any of the calculation?"

"No, it did not."

And so it went. I ultimately asked him if there were any real world things that they really used to make this calculation? [laughter]

[laughter]

It became somewhat adversarial from that point on. My fellow board members realized where I was going with this, and they pretty much abandoned me and any further efforts that I made. So I undertook to give those people a very difficult time, because it was not, in my mind, provable that giving away that much money could possibly be good or how creating it as a debt could possibly help the company. I recall one incident where they argued about a possible condition on the new license after I had more or less been left out of the discussion. They wanted to argue the condition. I believe it was around eight million dollars for maintenance and so forth, and they asked for a recess. Then subsequently they came back in after the recess and they assured Chairman Rumbolz that they would be happy to spend the eight million dollars a year to maintain Caesar's Palace, but they pleaded, "Don't apply it in the form of a condition."

I, in my inimitable fashion, told them that was the most pathetic argument I'd ever heard, [laughter] and that Caesar's Palace was famous for its brass, marble, and lushness, and I hardly thought they could maintain it for eight million dollars. After everything that was talked about, of course, I did my little injection of my thoughts. There were a lot of interesting aspects of that discussion. And if I may tell you, this is sort of interesting: I'd asked one of the attorneys, of which there were many, to give me an example of any other company that had given away that kind of money in some kind of a restructuring transaction, and the first one that the attorney offered was Kraft Foods. In reality, I must explain that I'm an options trader, and so I had done options in Kraft Foods, and in that particular instance it wasn't an option, but it was an arbitrage. Kraft Foods, I think, was \$103. A cash offer was pending at \$106 per share. They'd held it up for anti-trust reasons. That was under the Reagan administration. They weren't big on anti-trust. I spent \$103,000 to make \$3,000, and after commissions made about \$1600 on the whole thing. The anti-trust delay only went on for about two weeks, and so that was it.

So when he gave this in the example, I interrupted him by saying, "This has no comparison at all." Kraft Foods was a straight, \$106 cash offer. The proposed buyout was held up at \$103.00 for about two weeks, as I explained, and I went on to give the rest of the description of the Kraft transaction. So then he went to the RJR Nabisco buyout. There they had a more complex situation where they had offered so much cash and so much new stock. Some other forms of payment were in debentures, and a variety of things occurred. He tried to use that as an example. And, ironically *again*, I had done an option on that transaction also. [laughter] I explained to him in detail what the transaction was about, and at that point he gave up and apologized and said he was afraid he couldn't give me an example. [laughter] The irony of it was that I had been familiar with both of those transactions, and no one in the audience, of course, knew that, and they thought I was brilliant. The fact was I was very, very fortunate.

Did he call some of the other officers who stood to benefit besides Henry Gluck?

Oh, all of them. I don't remember all their names, but he called up anyone who was an officer or

director holding shares in the existing company. I made them publicly declare how many shares they held and how many millions they would make as a result of this giveaway program that they were conducting.

Was a motion ever made to recommend or deny this action?

Yes, it was a long, drawn-out hearing—probably all day, as I recall. Maybe even late into the evening. Drexel Burnham, of course, was there in force. The attorneys were there in force. All the officers, directors were there. But subsequently, board member Amerine and Chairman Rumbolz voted in favor of the recap. I was the dissenting voter, and it went on then to the Commission for ultimate consideration. As you know, the Board recommends, the Commission approves or denies, or does whatever they will with the license. The interesting part of that is that the Commission held several meetings, and I've always felt that they believed, or they knew that I was right, that it was financially a debacle that Caesar's couldn't come through on. After several meetings, I guess to the delight of the Nevada Gaming Commission, the New Jersey Gaming Commission, because Caesar's was multi-jurisdictional involved, denied the application, and that made the Nevada part of it moot. I always felt very good, because the New Jersey Gaming Commission in their concluding statements indicated that they gave great weight to the dissenting member of the Nevada Gaming Control Board.

* * * * *

In 1988 you began an investigation into the American Coin Company, which was owned by the LaVecchia family and Frank Romano. What precipitated your investigation into that company?

Well, as I've indicated, my background is that of a police officer, and on a particular occasion prior to that, the Las Vegas Metropolitan Police Department was having a retirement party at the Gold Coast for about six metro police officers, and I was in attendance. It was at that party that a former police officer approached me and wanted to talk to me about American Coin. He told me that he was of the opinion that American Coin had taken face cards out of the decks of their video poker machines, and he made this conclusion because he felt that with the contracts they were letting . . . that if it was legitimate, and there wasn't something wrong, they couldn't survive financially.

Please explain what American Coin Company was. Were they a distributor or a manufacturer?

American Coin Company was a slot route operator. They are people who are licensed to put slot machines on the property of another. They can do it one of two ways: they can put it on the property of a person who's not licensed, and that person would be a landlord and the route operator would be the licensee. Or they can place machines on the property of a person who holds the gaming license or the person who owns the premises could apply for license, and then they would put machines on that property and share revenue with the route operator. That would be called a participation. The reason for that is, that in Nevada you cannot share in the revenues of gaming unless you're a licensed individual. But if you got licensed you could participate in the revenues—to wit, get a percentage. If you weren't licensed you would then be paid a flat fee each month for the permission to put machines on a property. American Coin, the route operator, was involved in both kinds: landlord situations and participation.

To get back to where you were, you were saying that you were informed that some of the video poker slot machines had the face cards removed.

That is what my friend was indicating to me. I will tell you that in reality I had no clue. But I had played Mario Brothers with my kids enough to know that they could bump their head on a block and it could turn into a mushroom or a grapevine or whatever. So it was clearly conceivable to me that if someone desired, they could rig a slot machine to work any way they wanted it to, possibly by several hits on the hold buttons in some sequence, or in a variety of ways. But to me it was conceivable. What I'd told my friend was that I would appreciate it if he'd call my secretary and make an appointment to come in to my office and see me, and let's go ahead and enjoy the party, which we did. He did make that appointment, and he did come in, and we then talked about his allegation in more detail. I tried to understand why he felt so strongly about this. Like I said, it related to the amounts of money that American Coin would be deriving in the participation basis that I was talking about, and how much it might cost them to do what they were going to do, like pay all royal flushes and service the machines and have technicians do the pay-outs and so forth, as route operators do.

At the conclusion of our discussion, he told me of seven locations where he thought they may have taken face cards out of the deck of video poker machines. Some other things that occurred at our meeting that were interesting, but, at any rate, it was subsequently requested that the Gaming Control Board's electronic laboratory compare the EPROMS¹ that existed in the machines at the seven locations provided to me by the informant, with the state-approved master EPROMS maintained by the Gaming Control Board. If there were any variations between the machine EPROMS and the master EPROM, it would immediately show, even down to one byte of information, if something had been altered.

After some period of time the gaming agents reported back to me that there were at least 70 to 80 percent of the EPROMS which were checked that didn't compare on the Kobitron or the other device that was used to test the EPROMS. The Kobitron is an electronic device which is used to compare the software program loaded into an EPROM with the actual electronic signature of the master EPROM. That is how we discovered that 70 to 80 percent of the tested EPROMS exhibited an incorrect signature. This finding, of course, was extremely disturbing and an electronic lab technician, Ron Harris, pursued the investigation by first analyzing the source code for the games software program which had been submitted to the Board by the American Coin Company at the time they were seeking to obtain the Board's approval.

Harris was a very bright young man, whose intelligence had not been documented because he didn't have any degrees that I know about. He was just a very smart young man and at the time no one really knew how smart he was. [laughter] We appreciated his skills when he applied them on our behalf; however, we didn't appreciate them later on, and I'll talk about that later.

Source codes are usually very voluminous and somewhat difficult to comprehend. At some point in the analysis, Harris found an unusual looking area which was described as pay tables, but it didn't seem to correspond with the submitted source code. At this point Harris called Larry Volk, the programmer who worked for American Coin and who was involved in writing the software program. Harris asked Larry what this particular area was, because even though it said pay tables, it didn't look like pay tables. As I understand Volk's response, there was a momentary hesitation on the phone and then he said, "I better come down and talk with you about that."

¹ EPROM: Erasable, programmable, read-only memory computer chips.

After this we had a board meeting, and as luck would have it, Chairman Bible immediately went back to Reno, and board member Dennis Amerine also left almost immediately in order to help his parents who were in the process of moving. I had returned to my office and as usual was looking through a stack of paperwork when an entourage of people came into my office—from Gaming Board investigators to Deputies Lisa Miller and Mike Wilson of the attorney general's staff. During the discussions that followed they explained to me what Harris had found out from his discussion with American Coin programmer, Larry Volk. Volk had admitted to inserting a gaff into the slot machine computer programs which enabled American Coin to prevent the occurrence of royal flushes on their video poker machines.

The board investigators had identified thirty-seven locations where American Coin had placed machines on property locations on a monthly lease arrangement. The investigators could not identify any of the locations where American Coin participated with a licensee because the Board's records only reflected the name of the licensee and not the name of any route operator, if one existed. The investigators had come to the conclusion that the majority of the American Coin machines were rigged as cheating devices. A positive that came out of this investigation was that it did lead to the creation of regulation 5.050 which mandates that you have to identify anyone that you pay a portion of your revenues to, so in that way the participation locations can be identified.

We attempted to get in touch with Ellen Whittemore, another deputy attorney general lawyer, and when we couldn't contact her, I asked Deputy Attorney General Mike Wilson if I had the authority to close down the locations. Mike, bless his heart, told me I did not. I subsequently asked Mr. Wilson if there was anything in the law that said I had to abide by his opinion and he told me no. [laughter] I said, "Good, I'm going to close them down." Before we actually closed the locations down, Ellen Whittemore was contacted on the telephone. After listening to the facts of the situation, she agreed that the machines should be shut down and sealed. So that night we proceeded to close down the slot machines at the thirty-seven locations.

The following day, Frank Romano, who was licensed with American Coin, and his attorney, Jeff Clontz, came to the Gaming Control Board offices. The situation was discussed at length and Mr. Romano subsequently supplied a list of other gaming locations where American Coin participated and machines were located on the premises of a licensed location. Those machines were taken out of service and ultimately seized by the Board.

By this time a lot of furor had gone on, but I think very justifiably we did what we had to do. There were a lot of procedural problems associated with the sealing and seizure of the slot machines. Investigations had to be done. People wanted their money from the coin drop. Like the participation people would say, "We want our percentage." And, of course, we'd seized like a thousand machines, and, you know, doing the accounting on the money and then dividing it up, paying it to the people who deserved it and so forth was a lot of work. The gaming agents had other things to do besides just that, because we were in the middle of a very serious investigation. One time, up in Carson City, I think they recessed a board meeting so I could talk to Senator Harry Reid about some lady whom I had talked to in my office. She said that her children were starving within one week [laughter] out of this *dire* need for their participation funds. I tried to be tolerant of such requests, but wasn't very sympathetic because they weren't realistic. That's just a silly little sideline, but Senator Reid had called me on that.

Subsequently, the Board got a search warrant for the American Coin offices, which were on Industrial Way, I believe, at the time, and in the American Coin office safe they found a tape. Quite interestingly, it was a tape recording of the person whom I shall call my informant originally, who had

come to see me in my office. After he left my office he called his boss and was describing to him the meeting that we had just completed. Interestingly enough, best I can figure out, someone must have placed a phone tap on the phone of my informant's boss. Maybe American Coin, or a private investigator, I don't know who, but obviously they were associated with American Coin in some fashion because tape of that conversation was found in the American Coin safe. They must have had a tap on the boss's telephone because the cell phone and the hard line were both very clear and audible. As I understand it, cell phones' signals fluctuate and you can't continuously record without an unbroken conversation. This recording was very clear and it dealt with the discussion with me and some other matters that we had discussed about a sting operation that one of my fellow police friends wanted to establish. My policeman friend wanted to have a bar with slots. He said they could get building inspectors, drug addicts, route operators . . . [laughter]

[laughter]

... thieves, and he would have done anything, you know, if he could have set up that kind of a sting operation. Of course, what I had repeatedly told him that it was inconceivable because I would have had to somehow done something improper to get him a slot license. Couldn't do that, and therefore it never came to completion in any way, but we had talked about that as policemen will do. The informant was a former policeman.

As American Coin progressed, of course, we ultimately issued complaints against the LaVecchias, the father and the son, and also Mr. Romano. We also filed criminal charges in the hopes of getting a criminal complaint against all of them with the district attorney's office. Tragically, Larry Volk, who was the key witness in this situation, was shot in the head in his carport and killed. The police later arrested two people in connection with that murder, and there were some links to the LaVecchias, not Mr. Romano. We always felt that the murder obviously had to do directly with Larry's cooperation with us in identifying what he had done for American Coin in creating the gaff. I understand ultimately Volk acknowledged that, in fact, they had submitted an illegal EPROM, which passed the approval process and was out and in use, so that EPROM would no longer compare differently from the approved master, because it was the approved master. I think you can attribute that situation to the fact that in years gone by Nevada basically placed their trust in the licensee to tell them precisely what the machines would do. The electronic laboratory, of course, would set up tests and they would try to see if it did what the manufacturer said it did, but they had no way of identifying aberrations that might occur on command, or demand, or something of that nature. I don't believe up to that time that we ever went out in the field and checked EPROMS. Now it's a matter of mandatory sampling every year to check to see that EPROMS are as they were approved and things of that nature. Then they changed a lot of things in terms of how you submit programs, and, hopefully, they've made it better. The criminal complaint never came to fruition because of Mr. Volk's murder. The Board's administrative portion ended up causing the LaVecchias and Frank Romano to surrender their license, or they were revoked. I believe that they were ordered to pay fines of some amount that I don't recall. I don't know if those fines have ever been completely paid to this date.

Did the LaVecchias leave town then after that?

Yes, I understand they *hurriedly* left town, and the last I had heard they were in Hawaii, but I

don't know that for sure.

Was Mr. Romano their general manager or chief executive officer?

I don't recall. I think he was the manager. He always contended that he had no knowledge of the cheating. I found that hard to believe, but that was always his contention, and we could never prove unequivocally that he did, in fact, know.

They were lucky to get off as they did.

Oh, yes, very much so. They should have all gone to jail, to be honest about it. Mr. Romano later sued me and probably every other member of the Commission and Board, and that case was dismissed, I think, around 1999 or 2000.

In his lawsuit did he allege that you had colluded with United Gaming to investigate American Coin?

Yes, he did. Part of that was what was discussed about that sting operation that I told you about.

Yes.

That I had a friend on the police department who is the master of sting operations. His name is Lieutenant Loren Stevens. Lieutenant Stevens had conducted a wide variety of sting operations with various representations to entice criminals to come in and more or less confess, or sell their stolen goods, and things of that nature. Lieutenant Stevens was the one who would have liked to have had that bar I talked about.

Yes.

It was impossible to do, because without a gaming license it would have been some kind of an illegal operation, therefore we could never establish it, and it never was. It was in discussion with my informant friend that day that I had sort of reminisced, because he, too, was a police officer. And I told him Loren has always wanted a bar, and I'd love to have given him a bar, but I couldn't do it. I said it was a conflict of interest. And I said not only that, it would have cost a lot of money. My informant friend, who was with another company, offered to *give* me money to establish that bar, and I again reiterated that it was a conflict and the money was immaterial because we couldn't do it. It was in this conversation with his boss after he left my office that the informant had mentioned that he had offered me that money and that I had declined, saying that it was a conflict of interest. I am so thankful that he did have that on the tape. It was out of that, that Romano, evidently, or somebody in association with American Coin, gave it to the press that I had taken money. Of course, they put a different slant on it then; there was no mention of the possibility of opening a bar to operate a police sting. None of that ever occurred; it was a matter of discussion. It was a matter of what the police wanted to do and I couldn't assist them with. It was out of that, that I was later accused of taking money—not very seriously, of course. There was no probe, and I begged them to produce anyone who would say I took money, because I would sue them instantaneously. It was a fabricated falsehood.

[laughter]

It was a crazy time. But desperate people do desperate things, and criminals will lie. *[laughter]*

Yes. [laughter] They do lie, yes.

I always found it interesting—my whole career, I took on whoever it was. I didn't know how to back down. I've caused mistrials in federal court; I've caused the loss of indictments in Washington, D.C., by arresting a guy that was a burglar; I've gone to jail for contempt in support of what I believed in; I've done just a whole variety of things. In my whole life, I've even accused a former district attorney of collusion. He goes back some time. I'm not going to get into his name, but I've done a *lot* of things like that. And people would say, "Gee, that's great, Gerry." And they'd say, "There's a guy who stands up for what he believes, his whole life."

[laughter]

And then the first time some would-be crook suggests I did something wrong, the world comes down on you saying, "Did you do that?"

[laughter]

No. *[laughter]*

[laughter] You previously stated that you never reveal the identity of an informant. Did that policy ever cause you any legal problems?

Oh, sure. People tried to have me arrested for that in the Matis Marcus case. I had an informant there, too. And during deposition I was asked to reveal the name of that informant, which I refused to do. They called the evidence commissioner, or whatever his title was, in order to get a ruling on it. But I'd informed the attorney in that case that I wasn't going to tell them, and if they wanted to have me arrested they ought to spend more time doing that, because I wasn't going to talk to them under any circumstances about the name of my informant. You don't *get* informants if you expose them. People tell you things, and if they ask for confidential retention of their name, then that's what you must do. Informants are very valuable in any type of police work. In the Matis Marcus case—I think I'm getting off a little bit—but I had met with some informants through another informant. I exposed the ones that I met with, but I never exposed the one who led me to them, because there was no confidentiality agreement given to the ones I met with. There was a confidentiality agreement with the one that took me to them. So people try to make you tell them who your informants are, and really, that's a privilege that's protected under the law, but I wouldn't do it whether there was a law or not.

Were you ever arrested for it?

Oh, no. No, not for that. I was arrested for a different situation. *[laughter]*

What were you arrested for?

Well, that's sort of an interesting story. Somewhat lengthy. And if you want it I'll be happy to go into it. There was a fellow by the name of Dr. Hal Joe Harms. He was from Aachen, West Germany. He came to Las Vegas and he hired a minister, a pilot, and a video person to take videos, and then he went up in an airplane with them and headed out toward Searchlight and told the pilot to go to ninety-five hundred feet. When the pilot said they were at ninety-five hundred feet after a short period of time Mr. Harms instructed his video person to turn his camera on. He then was sitting in the back seat of the small airplane and he reached over the minister lady seated in the right front seat, cranked the door open and sort of bailed out. They, of course, turned the tape over to us when they returned and landed at the airport. We looked at the videotape, and what it showed was Dr. Harms dressed in a dinner jacket, cummerbund, with a microphone, and he was standing by an airplane, obviously, at an airport with the minister lady, the pilot, and he had his video man recording. After he had introduced everybody, he kind of looked skyward and pronounced that it's about time to go up and see what we shall see. After they were in the air, he told the pilot to go down Boulder Highway, head out towards Searchlight, climb to the ninety-five-hundred-foot altitude, and at some point, after they'd reached that height, he told his cameraman to turn the camera on and then they videotaped him falling out of the door of the airplane. The minister lady immediately starts screaming, "See if he's hanging on the wheel! See if he's hanging on the wheel!" I would tell you he was not hanging on the wheel. [laughter]

[laughter]

So after we had learned what happened, the next day we went out and we tried to search for this individual in the desert and we couldn't find him. We then had the pilot that night take the plane back up and go to where he thought he was when the man jumped out, and we had McCarran Airport triangulate the position. The following day we went out and searched again, and this time we did find the gentleman that was depicted on the tape. His dinner jacket was pulled up, and shirt was up, and his pants were pulled down. What he had, which wasn't visible on the tape, was a compact parachute which he had bound to his body with ace bandages. He did get the parachute to unfurl, but unfortunately it tore, and he bounced rather roughly off of the desert floor. We also found about a mile from there a vehicle, which we were able later to identify as his vehicle. I believe it was a rental to Dr. Harms. It had two flashlights propped up on books in the windshield pointed skyward. The batteries were by now dead.

What we surmised or concluded was that when he had told the pilot to go out toward Searchlight, which is a very darkened area, and climb to the ninety-five hundred feet, he saw the twinkle of the light, which must have been shining through the windshield; he then bailed out. I think his intent was probably to survive. The purpose for the stunt, we're not sure. We thought at the time it might be the fact that he was a fugitive trying to feign his death, possibly to beat a fugitive charge. It could have been an insurance scam. In that situation there'd have to be a beneficiary. If there was a beneficiary in something that resulted in the death of another individual—to wit, a illegal act resulting in the death of another individual, we would deem that felony murder. So we considered it a criminal death investigation. News reporter Mark Fierro of Channel 8 called me later on and wanted a copy of that videotape. I told him he couldn't have it because it was evidence in a death investigation. We talked for some time. He told me that they had an attorney over at the courthouse trying to get a writ from District Court Judge Paul

Goldman. I told him I really didn't care whether he got a writ or not, they weren't getting the videotape. I had heard various stories about Judge Goldman and wasn't real anxious to challenge him. Fierro said to me, "Where will you be after we conclude this phone call?"

I looked at my watch and it was four twenty-five p.m., and I said, "You know what, I'm going to be out of here the minute we hang up," because I didn't want to talk to Judge Goldman. We concluded our conversation. I then got immediately up from my desk. I told my secretary that I would be gone for the day. I went down the hall to the homicide section to talk to my homicide lieutenant, Paul Conner, to see what was going on and what were the latest developments in the Hal Joe Harms situation. While talking to him, a page came over the detective bureau paging system. It was my secretary checking if I was still in the building and she sounded frantic. I went back down to the office. She looked upset. I said to her, "What's wrong with you?" And I was concerned, of course, because my wife Gail rode with me to work, and I thought maybe something had happened to her.

My secretary said, "A man called. It was either Judge Goldman or George Goldman"—quite a distinction to be made . . .

[laughter]

. . . and he wanted to talk to me. When she told him that I had left for the day, he immediately became extremely irate, used profanity, and if I may quote, said, "Tell him to get his ass in my office in ten minutes or I'll throw him in jail!" and hung up.

I told her, I said, "Well, he's nuts."

[laughter]

"Write me a memo describing the phone call." And so she did that.

[laughter]

I left for the day. The next day I was served with an order to show cause, and there was a court date. I don't remember what the date was, but October 10, at 9:00 a.m. is the date and time that comes to mind. I was required to appear before Judge Goldman. I had informed the sheriff, of course, of the earlier incident and the fact that I now was served with an order to show cause. The sheriff was John Moran, and he said he would go to court with me. That morning at about nine a.m. we went over to the district court. I met with deputy district attorney Chuck Hauser. Mr. Hauser told me that District Attorney Rex Bell had talked to the judge, and he felt that if I would simply tell the judge I was sorry that everything would be OK. I recall sort of patting Chuck on the shoulder, saying, "I'm not made that way, and I didn't do anything wrong, and I'm not apologizing to the judge."

I don't think that conversation had anything to do with it, but later, as we waited in the hallway, I was told that the hearing would be held in open court. I'd originally thought it would be in the judge's office, and I had taken a tape recorder with me for that eventuality. When I was told it was going to be held in open court, I went to the courtroom door and opened it up, and I saw a court reporter. I felt somewhat reassured by the fact that there was a reporter there. Ultimately, my case was called. The sheriff went in with me. It was, "Good morning, Sheriff. Good morning, Your Honor. Morning, Detective. Good morning, Your Honor." I was commander at the time, a little more than a detective, but

that was OK.

He said words and substance to the effect of, "Do you know why you're here?"

And I said, "I assume it's because I didn't return your phone call."

He said to me, "Why didn't you return my phone call?"

And I said, "I will respond in this fashion." I said, "I decline to return a phone call to someone who was described to me by my secretary as rude and irrational"—and really, she had said, "Crazy," but I toned it down for the judge's benefit . . .

[laughter]

" . . . And who would not stay on the line long enough to leave his phone number." At about that point he slammed the gavel down and told me I was in contempt, and that I was to be placed under arrest. The bailiff was Dell LaFontaine. Dell came over and he stood in front of me. I knew Dell and he said, "Commander, I don't know what to do."

I said, "Dell, he's a crazy son of a bitch."

[laughter]

"Take my weapon, put me under arrest just like he told you." With some hesitancy Dell did that. They put me in handcuffs and then placed me in the jury box where I could be a spectacle for everyone to see. During that waiting period, there was a recess, and it was, "All rise," and I wouldn't get up.

[laughter]

[laughter]

And when he came back in it was, "All rise," and I wouldn't get up. Probably it's because I thought it was an act of respect to stand, and, of course, I had no respect for this judge after what I'd just been exposed to. During his following cases, I think there were three people that were there for parole violation. The third person I remember rather well, because the judge gave a number of stipulations and said, "Do you have any questions?"

The man responded, "Oh, yes, I do," and his attorney nudged him so hard that it was obvious.

[laughter]

The idea was, "Don't you see who's sitting there? It's a police commander" *[laughter]* "under arrest and you want to ask this guy a question?"

[laughter]

But it was actually humorous, and even the judge laughed. I had to laugh a little bit about that. The judge went ahead and responded to his questions, and then it was concluded. With that I was then marched off to the jail with my fellow inmates. *[laughter]*

[laughter]

The situation was that I had to be confined to the Clark County jail. What Judge Goldman couldn't do is he couldn't determine where in the county jail that I would be confined. So after I was photographed and fingerprinted, I directed the jailors to take me to the jail director's office. He had a very nice office up on the tenth floor or so. I, with all apologies, told him that I was going to take over his office. I had the kitchen bring in some cookies and milk and some sliced apples and place them on the table. I then prepared a statement wherein I was absolutely ridiculing and criticizing the judge for his tyrannical actions, and then I allowed each TV station to come in one at a time, with the exception of Channel 8, which I refused to allow in. I told the other news people the rules for the interview, that, "You can videotape me while I read my condemnation statement of Judge Goldman. Then the cameras go out, and the camera people go out, and you can ask me any question you want." The idea was that I wasn't going to have excerpts of some stupid statement I might have mumbled about shown on TV; I wanted them to show me, [laughter] you know, being very critical of the judge. There was an interesting situation that occurred: Harold Hyman, who is a reporter with the *Las Vegas Sun*, also came up to visit me while I was in jail. I should say that in the meantime my personal attorney, Gary Lang, was working on a writ to get me out. It took a supreme court writ because of the way the judge made his ruling. No other district court judge could get me out. It took a supreme court writ. Attorney Gary Lang worked on that. In the meantime, Harold Hyman came into the jail and he read to me what sounded like exactly like what happened in the courtroom that day. I said, "Harold, where did you get that?"

He said, "Well, when I heard you were arrested, I went down and saw Mary Duffin, the court reporter." He said, "She read directly from her tape, and I typed exactly what she told me on the typewriter in her office." This later became *very* important. So Harold then published the story, which had the transcript as he described it in the article. By the time I got ahold of the legal transcript, a week or ten days had passed. I don't recall. But the transcript had additions to it, and it had been altered somewhat. A startling revelation when you consider the seriousness of changing what was said in the court hearing.

Yes.

So I ultimately was sprung on a supreme court writ. Upon returning to my office, Gary Waddell with Channel 8 called my office.

Although it wasn't exactly true, I told my secretary to tell Mr. Waddell that on the advice of counsel, and as a party to a future lawsuit, I couldn't talk to him.

[laughter]

I subsequently obtained a copy of the court transcript and read it. It had information in there on a future court date, which I was unaware of, and it was slightly modified to temper the tone of what was said. Unfortunately, the tape recorder that I had with me was not turned on because I was, I guess, misled into believing that the court reporter would accurately report the situation. At any rate, I didn't turn the recorder on. I later called the court reporter and asked her to come in to the Detective Bureau. Her name was Mary Duffin. She came in with an attorney by the name of Frank Kremin. Mr. Kremin declined to let her speak to me. And I more or less told her that this man doesn't represent you, he represents Judge Goldman. I said, "Unless I misunderstand, part of your duties, it is to attest to the truth and accuracy of the things that you do, like transcripts. In my opinion, this transcript has been altered," and I wanted to

talk to her about that. The attorney would never let her speak to me and told me that the transcript was the best evidence. I told him, “Well, that’s a term of art.” In the legal profession it *is* the best evidence. But I told him that reasonable people will listen to reasonable evidence and I had a tape recorder with me that day.

[laughter]

He sort of got excited and asked me what I expected, and I said, “Just about what happened. I went to jail.” Well, ultimately, they left—unhappy, of course. During that discussion, I had with me a detective by the name of Al Levitt. Right after they left I said, “Al, did you hear *precisely* what I told them?”

He said, “Yes.”

I said, “Tell me what it was you heard.”

He says, “You told them you had a recorder.”

I said, “That’s true. What else, Al?”

He said, “You didn’t tell them that you didn’t have it on.”

I said, “That’s true also, Al.”

[laughter]

We got a search warrant after that and we seized the tape out of Duffin’s transcribing machine. We seized the ribbon out of the typewriter in her office, and subsequently we had them both translated. From the typewriter ribbon we got the transcript as Harold Hyman had typed it. And when we looked at the stenograph machine tape and had it transcribed, we saw that the court case involving me ended, then we had the three people on probation violation. The one asking if he could question the judge about several stipulations. Immediately following that discussion was an insert which was my court case number and time set for hearing on civil contempt, October 24, nine a.m. That came out of the blue. There was no direction to notify my attorney or me, and that ultimately appeared in the transcript. A clear case of an addition to the transcript. This was clear proof that it was done outside my presence and outside the presence of my attorney. Although, yes, I was sitting in court, I didn’t know what the case number was; I didn’t know that it referred to me since my case had been concluded. I think the ploy was that on October 24 at 9:05 a.m. I would be dragged out of my office and arrested again.

I should go back and say that once I was freed from jail, I met with a member of the Nevada Supreme Court and I begged his indulgence before he told me anything, because I didn’t want to be in opposition, or contrary, to what he may have to say. So what I did was I told him how extremely angered I was, how abusive I thought the judge was in his tyrannical conduct, and that I would accept nothing less than something being done to him in a legitimate, legal fashion, that I didn’t want to compromise, I didn’t want the supreme court or the judge to tell me that they could smooth it over. I wanted something done with this man and I didn’t want them [the supreme court] to tell me that they would smooth it over and then I would stand in opposition to their position. So that’s why I told him everything I had to say before I even gave him the opportunity to talk.

He was very considerate, and surprisingly, they commissioned me to investigate the judge, and a variety of things that he had done, and respond back to them within about seven days. I took that assignment very seriously. I put quite a number of my best detectives on the investigation of the judge.

And ultimately, we submitted twenty-six incidents that had occurred which reflected poorly on the judge's judgment and conduct. One was that he had an elderly lady by the name of Mrs. Cockrell arrested. She was eighty-seven years old and refused to testify. Goldman was conducting a murder trial at the time. Mrs. Cockrell's son was the suspect. I'm assuming that as one of the last living things she did, she didn't want to testify against her son, and so she refused to cooperate, although she had earlier cooperated with the grand jury. He put her in jail, and he told the jury to not worry, that he had the jail call him every hour on the hour, and that she got more sleep than he did. The truth of that situation is that at seven o'clock he called the jail and told them, "Don't bother me anymore."

[laughter]

And so he lied. It just shows his character. He put a gentleman by the name of Mr. Kinard in jail during that same trial. He had Gary Kinard called into the courtroom. There were some construction people on the roof, and there was a muffled bumping or a pounding sound. He said to Mr. Kinard, "Do you hear that noise?"

Mr. Kinard, trying to be helpful to the judge, said, "Yes Sir, I do." And at that point Mr. Kinard was put under arrest.

[laughter]

Later Goldman's bailiff told him, "Judge, he's the maintenance man, and that's the construction company on the roof. He doesn't have anything to do with it." He had also threatened the county recorder with jail time as a result of a mistake in some type of a document and things of that nature. So anyway, all of these things were submitted in a report to the supreme court. They ultimately held a judicial disciplinary hearing. Judge Goldman was represented by attorney by the name of Cobeaga. During the conversation of that hearing, Mr. Cobeaga said to me that he understood I had a recorder with me at the time I was in court, and I acknowledged that I did. He said to me, "Did you know that's a felony?"

I said, "No, I did not."

He said, "Well, what is your response to that?"

I said, "Let me respond like this: I had a recorder with me that day, just as I do now, sir," at which time he concluded that line of questioning, and so the hearing went. Frank Kremin was the only person outside of the investigation who knew about the recorder.

[laughter]

In trying to conclude it, the judge was permanently removed from the bench. The supreme court found everybody wrong, except me, which is documented in *Nevada Jurisprudence* under "Cunningham versus District Court," and it's one of the better dissertations on what contempt is.

[laughter] That's a great story. *[laughter]* Thank you very much.

You're welcome.

To get back to the Gaming Control Board, later on in September of 1988 it was discovered that Ralph

Engelstad, owner of the Imperial Palace, had what they called a “war room” where he had a collection of Nazi memorabilia and Nazi vehicles. In this room he would hold parties celebrating Hitler’s birthday. This, of course, gained wide publicity all over the United States, especially in Nevada. What was the Control Board’s reaction to what appeared to be a shrine to Nazi Germany and to Adolf Hitler?

Well, of course, we were extremely concerned, because we thought it was totally improper. When it came to our attention, of course, the investigative enforcement people did follow up and verify that such a room existed, that murals were painted on the walls, and subsequently they identified witnesses who verified that, in fact, two such parties, that we knew of, had been held. The allegation was, of course, that it honored Hitler because they were held on his birthday, and they had cakes with swastikas and things of that nature. So we, of course, commenced an investigation and subsequently filed the complaint with the Commission against Mr. Engelstad for what I think we felt were things that were inimical to the policy of State of Nevada and unsuitable conduct and method of operation.

Was he really a Nazi lover, or was it just a hobby, or why did he do this?

Well, he obviously was extremely fascinated with Hitler and World War II far beyond what you would call normal. He concentrated on all types of Nazi vehicles and paraphernalia. Not just one, but he had many of them, as many as he could buy. He proclaimed that, of course, it was simply an interest in auto collecting, that he didn’t in any way have an unusual admiration for Hitler, that he didn’t do the parties to honor Hitler. He denied all those things. I personally felt that he was not truthful. He had a bust of Hitler in his office. These parties were ridiculous in my mind. They were outrageous, they were inconsiderate, they were insensitive, and to do that sort of thing, to me, defied the explanation that it was just done to have a party. I don’t know what his excuse was. I think it was to show off his vehicle collection, to show his employees and guests what he had accumulated. I don’t know. You’d have to go back and determine what he said about that.

Well, there must have been a tremendous public outcry.

Oh, there was. I mean, it was actually nationwide. It might have gone international. Almost everybody found his conduct in holding those parties just absolutely outrageous. The Jewish community was very upset and they were totally inflamed. They wanted him closed down, license revoked. Nothing would have been too harsh for him.

Yes.

And although I could agree with their sentiment, there were a lot of things at stake here. First, Mr. Engelstad had been a good licensee in terms of following regulations and paying his taxes. That’s what we want him to do. As I recall, there were no earlier disciplinary actions against him, and there were some two thousand employees who had jobs at the Imperial Palace. So it was a bigger issue than whether Mr. Engelstad should leave, be thrown out of the gaming business, or have his license revoked. But, yes, there was a lot of hue and cry. I think the neo-Nazis paraded on his behalf.

[laughter]

There was all kinds of civil unrest as a result of this sort of thing. It went on for some period of time, but it did ultimately end in two counts being filed against Mr. Engelstad. Those counts carried with them, as I recall, a hundred-thousand-dollar maximum fine on each count. Subsequently, I think they decided they didn't want this complaint to go public. I'm talking about the Engelstads. I'm sure the Commission didn't want it to go public either, because none of this was going to do the state of Nevada, or its gaming industry, any real good. But I think it would have done a lot more to injure Mr. Engelstad, because there was a potential consequence of license revocation and all the things that go with it. So a stipulation was hammered out where he would pay a fine of 1.5 million dollars, which was 1.3 million above the statutory allowance. I believe they paid that in order to avoid the ultimate consequence of a public hearing, which in my mind was probably OK because, as I said, the idea of any disciplinary action is to correct the errant behavior. We also had to take into account the welfare of the many employees who were innocent in this matter being injured by being put out of work if, in fact, we revoked the license. There were a number of conditions applied by the Board, and then several, I think, subsequently applied by the Commission before it was concluded. It was generally agreed by the attorneys for the attorney general's office and Mr. Engelstad that it was in the best interests of the state and Mr. Engelstad to accept the stipulation and pay the fines. He wasn't happy about it, but there were a lot of people who weren't happy with him either, including myself.

That had to be possibly the largest fine up to that time.

I think it was the second largest. I believe the largest came out of the Stardust situation, Tobman and Sachs, as a result of their improper conduct. I don't know who all was fined. I think it was about 3.5 million. This was 1.5 [million dollars] and probably the second largest fine imposed.

In 1988, Masao Nangaku was licensed as owner of the Dunes, and Dennis Gomes was licensed as the CEO. Would you tell us your recollections of that investigation?

Well, the Nangaku investigation was very lengthy. Mr. Nangaku was a very wealthy man. And my memory won't serve me exactly, but I think he had something like fifty-two companies worldwide. Some of them were in Hawaii and elsewhere. Many were worldwide. I believe he came into his fortunes after World War II when Japan was rebuilding.

So he was a resident of Japan?

Yes. And so it took a long time to investigate the Nangaku companies. Some of the difficulties with it were the language barriers, and also the obtaining of various records was difficult because in Japan they don't give out those records too easily for legal reasons. I know that at the licensing hearings it was extremely difficult. We tried to talk to Mr. Nangaku, who didn't speak a word of English. We went through translators. And the truth of it was he didn't get the full essence of what we asked him, and we didn't get the full essence of what he said.

I remember at a break a young British-speaking gentleman came up to me and was saying that Mr. Nangaku said such and such. And I said, "No, what he said was blah, blah, blah."

And he said, "No, he said such and such."

And I said, "Are you asking me or telling you?"

He says, "I'm telling you."

[laughter]

He said, "I speak Japanese," and what the interpreter said wasn't what Mr. Nangaku had relayed. And I said, "Whoa!"

That was just another point. People in the audience were even recognizing the difficulty of it. Well, at any rate, that sort of gives you an idea of the difficulty we have with non-English-speaking people. And then some of the persons that Mr. Nangaku had surrounding him really were of questionable character. You couldn't prove anything, but you really wondered. Ultimately, when they got into a licensed position would they be loyal, honest, that sort of thing? You didn't really know, but you had no proof against it. I know that I proclaimed that, as far as I was concerned, I would never again vote to license anybody who was not an English-speaking person—the reason being we find so many English-speaking people that do not understand or follow the regulations. And when there's such a tremendous language barrier, you know very well that the licensee has no ability to follow the regulations, and he's at the mercy of those that surround him. If those that surround him are not absolutely conscientious and sincere about understanding the regulation, it isn't even going to be close. So that was my reaction to it. I think Mr. Nangaku was an honest person. I have no reason to think otherwise. But I do believe that some of the people he had working around him were only interested in their personal welfare and not Mr. Nangaku's.

The Japanese people working around him?

Yes, maybe they took shortcuts. Maybe that's the nicest way to say it. Maybe they took shortcuts because they were used to doing business to make money, not doing business to make money and follow regulation. Regulation is not the easiest way to do things, and I'm sure that throughout his business empire they did things in the most efficient way that they knew how. I've always told people regulation is not an efficient way to do things; what it does is it protects the bottom line so that we can gain and collect the proper revenues, and that's what we're interested in. It also protects the licensee so that he doesn't gain a lot of partners throughout the operation of his business. It was an extremely difficult investigation, as I recall. Dennis Gomes was brought in at some point prior to the completion of the investigation, or possibly as a continuation thereof. I don't recall how that worked, but I believe Mr. Gomes was licensed as Clark Management, and Mr. Nangaku in that arrangement would be paid a fee like he was a landlord. He did own the premises, but not being licensed at that point in time was not able to share in a percent of revenue. That goes back to kind of like the participation thing that I talked about in American Coin.

Yes.

So they tried to establish a flat fee that he would be paid, and that's the way Mr. Gomes ultimately was licensed to operate the Dunes during that interim period. I don't know that it was at all fair, but that's the way it works. I think subsequently, Mr. Nangaku probably lost large sums of money. As I recall, he was routinely supplementing that operation with literally millions of dollars. And so I'm sure it was not a good experience for him.

Do you recall how long that situation lasted?

You know, I want to say six months. And I don't know how accurate that is, but that's the figure that comes to mind.

So that was kind of a unique situation, wasn't it, to license the Clark Company? The Clark Company was the name of the company that Dennis Gomes headed?

Yes, Clark Management, or something like that.

Clark Management. So Clark Management was actually licensed to operate the property?

Right, they were. I think all of the revenues that were collectible such as markers, Gomes took with him. In other words, any receivables that existed were his. He took those with him. I think probably whatever percentage of the markers he collected, I'm reasonably certain he didn't pay gaming tax on. So he had quite a windfall, but all legitimate, as far as I know.

Did the Gaming Control Board unanimously recommend that Nangaku got licensed eventually?

My recollection is that it was a unanimous thing. He had been put through such a difficult situation that without something more than maybe his inability to speak the language, which I think was an extremely valid consideration, even myself, having made that decision that I'd never do it again, didn't want to see him not get licensed. I felt he was entitled to be allowed to make the effort. I think probably if he could have read the future, he'd have wished I would have denied him. [laughter]

Yes. [laughter]

Being fair, we licensed him, and unfortunately, I think he lost great sums of money.

So then when he was licensed, Clark Management and Dennis Gomes went out the window, or did they still operate as managers?

You know, I don't recall that point exactly. They may have worked in the managerial position for a while, subsequently changing to someone else. I'm not clear on that at all.

How was his success, then, would you say? If he could have read into the future, he wouldn't have wanted the license. Did he eventually lose the property, go bankrupt, or have to sell it, or what was the outcome?

I wish I could remember that exactly. I do remember the monthly monetary input by Mr. Nangaku was very large, as we kept a very close financial track of that. He was supplementing operating money to a great extent. I think what he did is he ultimately sold the property to Steve Wynn and got out of there as fast as he knew how. That's my recollection, that he was not a successful gaming person, that he sold the property, and that was the end of him.

He sold it to Steve Wynn?

Yes, I think so.

And that is where the Bellagio is now?

Yes. Right.

In February of 1989, Sheldon Adelson came before the Board requesting a nonrestricted gaming license for the Sands Hotel in Las Vegas. Also requesting licensing at the Sands was the Aristocrat Hotels of Nevada, Incorporated, headed by Henry Lewin. What problems did the Board have with these applications?

Well, I recall the biggest problem I had was with Mr. Lewin and the suitability factor. There was quite a bit of information to indicate that Mr. Lewin was a womanizer and had done some totally inappropriate things with employees when he was at the hotel they worked before. I think he was with the Hilton. And it was those incidents that he had been involved with at the Hilton that led to the major portion of the evidence to go against his suitability.

I believe that it was sometime back in 1988 that Sheldon Adelson agreed to buy the Sands Hotel from Kirk Kerkorian. He would accomplish the purchase through a partnership called the Interface Group. The partnership consisted of Sheldon Adelson, Irwin Chafetz, Theodore Cutler, one or two others, and a brother-in-law whose names I cannot recall. Not being remembered is a good thing in this application. Although being remembered does not mean that the applicants had suitability problems, if an applicant had concerns regarding suitability, I remember. Included in the application for the purpose of operating the Sands Hotel and Casino was the Aristocrat Hotels of Nevada. Persons with Aristocrat Hotels seeking a license were Henri Lewin, Larry Lewin, his son, and Paul Klapper and possibly one other individual with no suitability concerns. The Sands Hotel and Casino gaming license application had a little bit of everything that the Gaming Control Board and the Nevada Gaming Commission should take into account when approving or denying a license.

In the Nevada Gaming Control Act, the qualifications to be considered for suitability or approval of a gaming license are clearly set out. If the issue arises at the hearing or is discovered through investigation, the statute states that the burden of proving the qualification to receive a license or to be found suitable is on the applicant.

If I may, I would like to paraphrase some of the pertinent sections of the relevant statute. For an applicant or person to receive a gaming license, they must be of good character, [meaning] honesty and integrity. Their prior activities, criminal record, if any, reputation, habits and associations must not pose a threat to the public interest or to effective regulation and control of gaming. The applicant must in all other respects be qualified to be licensed or found suitable consistent with the declared policy of the state. A license to operate a gaming establishment must not be issued unless the Commission is satisfied that the applicant has adequate business probity, competence and experience in gaming or generally, and the finances are adequate for the proposed operation, and the money is from a suitable source.

Several of the applicants had issues which became areas of concern and could be grounds for the denial of a license. Such a denial could be based on one or more of the above factors or under the power

granted by statute to the Board and Commission, “for any cause deemed reasonable.” I would ultimately disagree with my fellow board members regarding some aspects of suitability for the licensing of specific applicants in this matter and the Commission would totally disagree with the Board on certain aspects of the application. These differences subsequently became a serious focus of disagreement between the Commission and myself. I will discuss this dispute later.

The two-tiered system of Nevada gaming control provides that the Gaming Control Board is a full-time agency and the Commission is part time. The Board has all of the power and authority to recommend the approval, denial, limiting or conditioning of a license applicant, as does the Commission. The difference is that the Board can only recommend and the Commission has the final authority to accept or reject the Board’s recommendation. I often felt that the Commission was too permissive and did not follow the state’s declared policy of strict regulation of all persons, locations, practices, associations and activities related to the operation of licensed gaming establishments. The fact that the Board could only recommend was difficult for me to accept when the Commission exhibited a permissive attitude. I expressed disagreement with the Commission’s decisions so often that Commission Chairman John O’Reilly placed that portion of the statute in a picture frame and sent it to me.

The Sands Hotel and Casino gaming application submitted by the Interface Group and Aristocrat Hotels took a considerable time to investigate. After the investigation was nearly complete, I remember attending at least one investigative hearing which dealt with Henri Lewin’s situations where he was questioned about the details of those events and evidence in support of the accusations was examined. There were legal documents relating to some of the allegations and a check written by Mr. Lewin to one of the ladies who complained of his misconduct in a lawsuit. In addition to the investigative hearing, there was a large summary of the entire investigation prepared by members of the Gaming Control Board’s staff which detailed the issues concerning the applications and the involved individuals, if any existed. The summaries also, just as the term implies, provided an explanation of the entire proposed gaming operation, future plans, sources and types of financing.

After the investigation was completed, the board members were permitted to meet with the investigators in what is called a “Rump Session.” The purpose of such a session is to clarify with the investigators any details which may not be clearly understood and to view any documentation referred to in the summary which a board member may wish to examine. A deputy attorney general was always present during rump to insure that the Nevada Open Meeting Law was not violated. Board members were only allowed to ask questions and never permitted to express opinions. Deliberation between the members is strictly forbidden. If you even said something as seemingly innocent as, “That’s odd,” you would be reprimanded by legal counsel for expressing an opinion. You soon learned to just ask questions and keep your thoughts to yourself until the public hearing.

As the hearing date grew very near, I stopped by the billiards hall to see some of my pool hall friends and shoot some billiards to relax. One of the guys, Russell Swanky, was an ex-police officer and I asked him if he had ever heard of a guy by the name of Henry Vara. He said, “Hell, I used to work in one of his gay bars in Atlanta, Georgia.” Since Henry Vara was either a friend of acquaintance of several of the applicants in the Interface Group, and in some instances a business partner, I pursued the conversation with great interest. Originally, I treated Russell as an informant, but since he is now deceased, I want to give him credit for helping me. Russell was a valued friend. During my conversation with Russell regarding what he knew about Vara’s Atlanta operation, he claimed they would cancel out [not count the funds in reported revenue] certain cash registers and told me about the types of immoral conduct that was permitted to go on in the club. I asked Russell to go with me that night to the Gaming Control Board

office where late at night we recorded his statement. He described a cruise ship, which I believe was owned by Vara, that went through the Panama Canal and fees were paid out of a suitcase filled with what Russell thought was approximately a million dollars. He also described a shooting incident committed somewhere in North Carolina involving Vara-associated people. No one was killed or injured in the incident, but you got the idea that you would not want to make those people angry with you. Vara was not an applicant in the Sands Hotel application, but along with other information developed by the Board's investigators, Henry Vara's character went to the issue of the association and the character and integrity of several of the applicants. I felt that such associations not only reflected on the attributes of some of the applicants, but also their judgements which could carry over into gaming.

Mr. Adelson could be expected to be aware of most of the areas of concern in the joint applications of Interface and Aristocrat because at the end of the Board's investigation, the applicants and their attorneys are invited to attend a closing conference. At that conference, the areas of concern which were developed during the investigation are discussed. This gives the applicant a heads-up as to what may be asked at the licensing hearing and provides the opportunity to prepare a response if it becomes necessary. With the abundance of concerns in the Sands application and the last-minute revelations from my friend Russell, there was a fair amount of anticipation leading up to the hearing. Not only was this going to be a difficult hearing, but the purchase of a hotel could possibly be negated, people's jobs could be jeopardized, improvement investments in the Sands Hotel could be cancelled and the state's welfare could be at stake.

In the early part of 1989, the day of the hearing arrived. The hearing was held in Carson City. I don't think the concerns in the application had much of anything to do with the location where the hearing was held because the Board and Commission hearings are alternated between Las Vegas and Carson City each month. The room was filled with participants and spectators. Although the hearing room was full, it probably would have been packed if held in Las Vegas because of the local interest. In the beginning of the hearing, the Sands attorney was given the opportunity to describe the application and the proposed improvement to the Sands Hotel. They were going to build a large convention center and add additional rooms to the hotel. The financing for the project was a combination of monetary contributions and loans from the Interface Group and Drexel Burnham was hired to raise a large portion of the funding. Michael Milken's affiliation with Drexel Burnham and his stock fraud conviction dealing with junk bonds sales raised concerns about the suitability of Drexel Burnham to raise monies as a portion of the funds proposed for the Sands improvements, but that concern never materialized to the point of disqualifying the firm or the money.

Mr. Adelson made his presentation regarding his other businesses which would be beneficial to the overall marketing plan of the Sands. I think he owned an airline and a travel agency which could be useful as marketing tools. He also owned COMDEX which very successfully produced computer-related trade shows nationally and some internationally. These trade shows generated large sums of money which put Interface in a good financial position. He also spoke highly of Mr. Henri Lewin and after his accolades in support of Mr. Lewin's talents and value to the proposed operation, said something to the effect that without him, he might not go through with the deal. I do not remember the exact verbal exchange, but I am sure that I suggested that may be a problem, but that would be his decision. It would not make any difference to me and I told him that there were problems contained in Mr. Lewin's background investigation which would become apparent during the hearing.

Some of the more prominent issues in the application dealt with Sheldon Adelson, Henry Lewin, Irwin Chafetz, Paul Klapper, and to a lesser extent, Cutler. In earlier years, Mr. Adelson had, in my

opinion, an excessive number of civil litigations ranging from ordinary bills involving utilities to matters involving several hundreds of thousands of dollars. Excessive litigation may reflect on his business probity so these civil actions were considered potentially serious matters and discussed at some length. The Board ultimately accepted the explanation that the lawsuits were probably the result of business difficulties during those years and not a matter of integrity. Regarding Henry Vara, Adelson claimed to know who he was to say hello, but never had any business relationship with him. Any time Adelson was asked for his opinion as it related to the other applicants, especially Irwin Chafetz's involvement with Henry Vara or questionable actions on his part of issues relating to Henry Lewin, he consistently defended their character and never gave any credence or was unable to understand the Board's suitability or regulatory concerns.

Chafetz had extensive involvement with Henry Vara. The Board's investigation indicated that Henry Vara had licensing problems in the Boston area, he was accused of tax evasion, had a number of his bars seized in the process, was involved in misleading bar investment scams where the investor took all the risk, allegedly skimmed revenue from his bars where drugs were sold and other immoral acts took place. Generally had a very bad reputation. Chafetz socialized with Vara on a regular basis, helped bail Vara out of jail, refused to testify at one of Vara's trials by claiming his Fifth Amendment privilege, took loans from Vara, loaned Vara money, invested in his cruise ship, invested in two radio stations with him, invested in one of his gay bars in San Francisco, and a variety of other unusual transactions. Chafetz had another good friend who was convicted of income tax evasion, another accused of arson, another accused of possessing illegal gambling paraphernalia, another accused of wire fraud and possession of a ton and one-half of marijuana.

To the best of my recollection, Henri Lewin did not know Henry Vara, but had his own problems. He was accused of giving complimentaries to a labor leader in violation of federal law. Lewin was also accused of allegedly providing complimentaries for hotel rooms in Hawaii for Federal Judge Harry Claiborne, who was involved in the labor leader's case. Lewin was accused of making unapproved payments to a fellow in Hawaii who made gaming debt collections and other unauthorized chores for the Hilton Hotel. Lewin was also accused of assaulting a Hilton Hotel cocktail waitress in Barron Hilton's office. The Board's investigation supported the accusation that the cocktail waitress was ordered to contact Mr. Lewin in his office. After she arrived, another Hilton employee who was in the office area left the area or was asked to leave. The cocktail waitress and Lewin then went into what we believed was Barron Hilton's office where the inappropriate advances were allegedly committed. Our information indicated that he gave her a strand of pearls as a gift before she departed. She subsequently sued him in federal court. The case was settled without a trial and the agreement was confidential, but during our investigation, a Lewin personal check for a large amount of money made out to the former cocktail waitress was discovered. In his application, Lewin did not even acknowledge that she had sued him and subsequently when confronted with the details, never admitted that he did anything inappropriate to her. The Board had information of a similar assault on another lady who never sued him, but she too received a strand of pearls. In police jargon, that is called *modus operandi* or method of operation. I have deliberately not described these situations in detail, but the board members took a very dim view of his actions.

The next applicant the Board had serious problems with was Paul Klapper. Henry Vara was a good friend, although to our knowledge, Klapper had never entered into a business relationship with him, but their association extended back for many years. Klapper had an extensive number of civil cases including non-payment of taxes, a long-time association and business involvement with illegal

bookmakers, he was involved in illegal gambling and a variety of pending business problems.

At the conclusion of the hearing, Member Dennis Amerine supported by Chairman Bill Bible recommended a limited license for Irwin Chafetz conditioned that he divest all investments with Henry Vara and that he disassociate with Vara and five of the other people discussed earlier. I thought this was ridiculous. If Chafetz was not unsuitable as a result of his associations, I never saw anyone who was. I also thought there were concerns dealing with his judgement, honesty, and integrity, but he was approved by the Board on a split vote of two to one. I guess that I was still clinging to that silly idea of strict regulation. One of my favorite sayings was, "If you don't get rid of a flawed applicant, you end up with a flawed licensee." Gaming is a privileged industry and it is important to reject unsuitable persons and discipline those who do wrong. I had a consimilar saying, "It is important to punish wrongdoers so that the good people can appreciate the benefits of being good." The board members did agree unanimously to deny Lewin and Klapper.

After the hearing, Mr. Adelson was not pleased and his attitude could not be described as congenial. Mr. Lewin, on the other hand, underwent some very difficult questioning, and although I am sure he would say he was very uncomfortable, he was a gentleman from start to finish. After the hearing, he walked out into the lobby with me and as we walked, said, "Mr. Cunningham, there is something that I want you to know. If I had the information in front of me that you had in front of you, I would have voted to deny me also, but I want you to know the truth. I didn't do it." I told him that I did not enjoy doing hurtful things, but I did what I believed was the correct thing to do. If I said anything that was not correct or if I had wrongly accused him of anything that was untrue, it was not intentional.

Do you recall how long the hearings lasted? Were they very lengthy?

The Adelson hearings?

Yes.

Yes, they were fairly lengthy. I believe the entire day was set aside for that hearing. When the meeting was concluded, it was dark outside and very late.

Well, was Mr. Lewin licensed to be in the gambling part of it, or was he more in the hotel management?

I think he was more in the hotel and entertainment area, but unsuitability is unsuitability. The thing that I relate to is if you have to come before the Board and Commission for licensing, then you have to be suitable to obtain a license. It is not particularly important what jobs you do or do not perform or the title that you hold.

At the commission meeting, former governor Robert List led the presentation of the Sands application. The crux of the presentation centered on the physical plans and improvements which the applicants would bring to the aging Sands Hotel. Paul Klapper requested to withdraw his application, which was granted. He may have gotten some bad advice because the Commission gave very little serious attention to applicant suitability issues, so he could probably have been approved. How could they have justified denying him when they licensed everyone else? Nevertheless, Chafetz was given a limited license with the condition requiring him to disassociate with five or six people and to divest his investments with Vara.

Lewin was approved in spite of all of his problems which several years earlier contributed to Hilton's inability to obtain their initial licensing in New Jersey. As a result of their problems in New Jersey, Lewin was terminated with the Hilton organization. The Commission overturned the Board's unanimous three-to-zero denial of Lewin with a unanimous five-to-zero approval. How did they do that? Every commissioner had to believe that Lewin had met his burden of proving that he had done nothing wrong and was suitable. Surely they would not go against that requirement, would they? I have said that the commission members had a "gelding" philosophy. They were all very personally likable, but something was missing.

After that meeting, I publicly denounced the Commission for their permissive conduct and announced that I would never waste another minute of my time by attending another commission meeting.

So did you fulfill the promise?

I may have gone back once or twice on an issue that may have highly concerned me; however, generally speaking, I never went back. I felt it was a waste of my time.

Well, Henri Lewin had a son who was getting licensed at the same time, wasn't he?

Yes, Larry Lewin. To my knowledge, Larry was a very suitable person. I don't remember asking him any questions at the hearing. After Larry left the Sands, he worked at the Riviera where I serve on the compliance committee. I think initially he had some difficulty with me because of the action taken against his father, however, before he left the Riviera, I believe that Larry took a different view of what I did. I think his attitude ultimately changed, but I would attribute his initial attitude as the resentment any son would have toward a person who voted to deny their father.

After Lewin and Adelson and the remainder of the group were licensed and went into operation, how successful were they?

Well, the relationship wasn't real successful. Within months after the approval was granted, Lewin and Adelson parted company over differences they were experiencing. Some years later, I ran into Mr. Adelson at the Sands Convention Center where I was attending a seminar. A model suite identical to the suites being built at the Venetian Resort Hotel and Casino, which was under construction, was on display in the convention center. I approached him and said, "Hello, Mr. Adelson. How are you?" He looked at me with some degree of uncertainty, and I said, "Gerry Cunningham, Gaming Control Board." Somewhat to my surprise, he was totally congenial and very gentlemanly. He proceeded to personally show me and two of my friends the model suite and explain the amenities it contained. I guess time and success gave him the ability to control old emotions. I am sure he didn't forget. I recall saying to him about Lewin words and substance to the effect that I guess now we both agreed about Henri Lewin, it just took you a little longer to realize what I knew at the time we had the hearing. He laughed it off, but I am sure that he wasn't real pleased with my reflection on his judgement.

Have you ever been told that you were exceeding your authority?

Yes, sometimes directly and other times by inference, but it has always been said that the Board and Commission have draconian powers. It is appropriate that such authority exists in order that unsuitable persons are kept out of the gaming industry because of the importance to the financial health and well-being of the state and need to maintain public confidence.

I have been told by attorneys for applicants that we, the Board, didn't have the right to do certain things. For example, in the Caesar's Palace Hotel and Casino recapitalization where they wanted to go into debt by 1.1 billion dollars so they could give the shareholders a dividend of \$26.25 per share. They also wanted to do a number of other things which I believed were detrimental to the company's overall viability. I was told that those decisions should be up to the shareholders and it was not within my purview as a gaming Board member. My response was that if the Board didn't have the authority to decide such issues, why don't you just walk out? In reality, it is silly to suggest that the Board and Commission did not have the authority to stop a gaming company from financially destroying itself, from jeopardizing thousands of jobs and costing the state its portion of the revenues.

In another incident, Paul Bible, a former commission chairman and Board Chairman Bible's brother, called me "smug" during a foreign gaming debate. Because Chairman Bible's brother was appearing on behalf of a client, Chairman Bible recused himself for that portion of the hearing and I was acting chairman. I was concerned about Nevada licensees exporting company funds to build casinos in other jurisdictions and reassigning Nevada personnel, experience and brainpower to operate those casinos in direct competition with Nevada. I suggested that if a Nevada licensee wanted to operate a casino in another jurisdiction, they should surrender their Nevada license before they could be involved in foreign gaming. Now that Nevada-trained people are working in casinos practically all over the world, I guess you know who won that debate.

And also there have been, of course, many instances where people have been licensed to do one job and wind up doing another job, like Lefty Rosenthal.

Yes, that's true. He had some kind of a title like Director of Entertainment but was actually the guy in charge of running the Stardust. I was on the Board when he was recommended and subsequently placed on Nevada's excluded persons list, the so-called "Black Book." Key employees are now looked at more in terms of what they do, what type of authority they possess to issue complimentary or to hire and fire employees, how large is their salary and things of that nature. I have colleagues from New Jersey who often make remarks about Nevada's early history, and that we are not as clean and pure as New Jersey thinks they are. You have to remember that Nevada was a transitional gaming society. In 1931, gambling was legalized in Nevada. If the applicant could pay the license fee, a license would be provided and they were in the gaming business. Many people involved in illegal gambling throughout the United States came to Nevada to practice their trade where it was legal. Some came with unsavory backgrounds and even notorious reputations. By the early 1960s, Howard Hughes brought corporate structure to the industry and mostly thanks to Governor Grant Sawyer and the legislature, a strict licensing and regulatory mechanism has been put in place where suitability issues become a prerequisite. In the beginning, there were people who could probably never be licensed in a contemporary time period because of background issues, but there was no regulation in the beginning. Many of those people obeyed those regulations as they were created and therefore were accepted as good members of the gaming community. Others did not obey. We remember the Stardust, the Aladdin, the problems at the Tropicana to name a few.

Are there any other license applications that were interesting or that you would like to talk about, or interesting characters that came before you? Did you ever come into any association or were you ever involved with Carl Thomas in any way?

Well, not directly. I remember when Carl Thomas was thought to be a respected gaming executive. My first recollection was when I was on the police department. He donated a plate of meat to the political campaign of John McCarthy when he was running for sheriff.

He supplied what?

A plate of meats.

Oh.

I may have eaten some of that food, I am not sure. In the early 1980s, Carl Thomas was a fairly well-respected person in the gaming industry. I think it was in the early 1980s he went to Kansas City on other business, which ended his gaming career. In an FBI undercover operation, they bugged the residence of a person named Marlo. I believe that is the name of the person whose house was rigged for sound recording and thus the "Marlo tapes." Carl Thomas was recorded talking to the Civella brothers, who were considered to be organized crime members, about his skimming operations in Las Vegas, and was describing how he skimmed money from the casinos. He said that he just loved it. He also talked about his man in Las Vegas and he named Frank Fertitta, who is no longer involved in Nevada gaming. They went on and talked about a variety of things. In total there were many recordings dealing with different people and situations in Nevada. The basic thrust of the federal investigation was the Kansas City organized crime activities. As I understand it, the federal prosecutors signed a proffer with Thomas's attorney agreeing not to discuss the Nevada operation or the people involved in return for Thomas's cooperation and testimony in the Kansas City Case. This eventually placed the Nevada Gaming Control Board investigation at a great disadvantage. The Civellas were subsequently convicted and went to jail for those crimes, with the assistance of testimony by Carl Thomas. For his cooperation, Thomas spent about two years in prison and was released. After the Kansas City trial, the Marlo tapes and transcripts of that trial were made available to the Gaming Control Board. The investigation took quite a while because the tapes we are talking about had not been available and all of the tapes had to be reviewed and I assume transcribed before the follow-up investigation could take place. I think the Board became involved in the investigation sometime in 1985. Then there was a several-year investigation by the Gaming Control Board Intelligence Bureau, primarily by agent Richard Carr.

At the completion of the investigation, the information and pertinent portions of the tapes were supplied to the board members for review and the ultimate decision to decide whether to issue a complaint against the Palace Station Casino and Frank Fertitta began. To try to capsulize what was done, I believed the allegations in support of a complaint were substantial and in my opinion, a complaint should be issued by the Board. I told Member Dennis Amerine and Chairman Bill Bible, that if they decided to not issue a complaint, that I wished to not be associated with that decision. Subsequently, Amerine and Bible believed it would not be appropriate to go forward with a complaint. You would have to ask them why they didn't want to do it, but in my opinion, anyone who read the materials provided in the investigation and listened to the tapes would come to the conclusion that an unsuitable method of

operation was involved. Now, it may be understandable why Mr. Amerine and Chairman Bible may not have wanted to issue a complaint. First of all, it referred to situations which by that time raised the issue of laches which affected witnesses and the possible claim of unreasonable delay. The complaint would be accusing a major licensee of a most serious gaming offense which if taken to a commission hearing could have caused damage, not only to the licensee, but also to the state's reputation and the public trust during an extended public hearing. This possibility generates great political pressure to avoid such exposure on the basis of an uncertain outcome. The case, although very convincing, was circumstantial and there was no so-called "smoking gun."

Additionally, there was always the possibility that the Commission could declare critical portions of the evidence as inadmissible, rendering the prosecution of the complaint very difficult, if not impossible, and witnesses had been deteriorated. There was a security guard by the name of Harry McBride who, at the time certain events took place, was so well trusted by Carl Thomas that he gave McBride his phone or notebook containing coded phone numbers of the Civellas and other damaging evidence. If everything in the book had been known at an earlier time, it would have been sufficient to lead to Mr. Thomas's license revocation probably without the tapes. McBride was trusted by Thomas with that book and he was supposed to destroy it. Apparently that trust was misplaced, because McBride did not destroy the book, which fell into the hands of law enforcement. By the time the Board got around to considering the issuance of a complaint, McBride was described by attorneys for the potential plaintiffs as a drunk and ne'er-do-well and someone who was not believable. In later years, he may have become the person that they described. I never met Mr. McBride, but I knew the position of trust he once held with Thomas. He was so well trusted that they placed the very thing that could have led to their downfall in his hands. So it was that type of world we were in. Witnesses were discredited, much time had passed, it was a lengthy investigation, and a lot of what we are talking about goes back to the 1970s. One situation Thomas talked about in court testimony from the Kansas City trial in 1985 was skimming at the Circus Circus. An excerpt from the testimony went something like this:

The prosecutor asked Thomas, "When you were at the Circus Circus, did you start skimming immediately?"

His reply was something to the effect that, "No, they had to get it (Circus Circus) in the black first."

The prosecutor asked, "Did you get it in the black?"

He said, "Yes."

The prosecutor asked, "Then did you start skimming?"

He said, "Yes."

The prosecutor then asked, "Who did you give the money to?"

He said, "Jay Sarno."

What is interesting about that, if I may depart from where I'm going on the other portion of this story, is that years later, former Commission Chairman John O'Reilly was asked to nominate Jay Sarno to, I believe, the World Gaming and Wagering Conference & Expo Hall of Fame. I called him on the phone and said, "John, you cannot do this."

He asked, "Why?"

I said, "Well, you were the commission chairman when Carl Thomas was placed into the 'Black Book'." I then recited for him the testimony about Thomas giving money to Jay Sarno that he had skimmed. I said, "It would be kind of contradictory that you would put one member of a skimming team in the 'Black Book' and the other in the Hall of Fame." I think Mr. O'Reilly's comment was that he

would be careful what he said and I believe he went on to make the nomination.

Back to the Fertitta investigation, I was explaining there were a variety of reasons why Mr. Amerine and Mr. Bible might not want to agree to a complaint because of the impact it would have on the gaming industry and the difficulty it might cause. My position was firmly on the side of issuing a complaint because of my belief that unsuitable methods were involved. I believed that would be the basis for our complaint and the issue should be pursued. If the “what ifs” are allowed to dictate board enforcement action regarding serious regulatory infractions, then disciplinary proceedings would never occur, as they did not in this case, and never will. If there are reasonable grounds to believe a licensee has engaged in unsuitable conduct, then they should be dealt with accordingly.

At any rate, I had told Chairman Bible that if he and Mr. Amerine did not agree with me to issue a complaint, that he should separate me from that decision. The next thing I knew, there was a letter sent to the licensee and a press release which said words and substance to the effect that the Board concluded that there was insufficient evidence to go forward with a complaint at this time; therefore, no complaint would be issued. The substantive word to me was it said, “Board.” I later confronted Chairman Bible on that aspect, and I said, “Why did you do that? I had asked to be separated from that decision.” He told me that he had asked the attorney general about it, and the attorney general said two members of the Board is a quorum; therefore, they could speak as “the Board.” I said, “Well, that’s regrettable.” I then called a TV station and gave a press release saying I thought a complaint should have been issued and criticized both of my colleagues for apparently including me in the decision to not issue a complaint.

How did that go over with Mr. Amerine and Mr. Bible?

Well, probably not very well at all, but to their credit, they knew how I was and I think we remained friends.

You were remembered as being a very outspoken member. Do you ever have any regrets about your sometimes controversial comments?

No, not really, but when you do some things like I did, there is a certain price that you have to pay. Those that you speak out about don’t like you very well sometimes, but other people who like to hear a person stand up for what he believes do like you. In the final analysis, I believe the people who allow or want you to speak your mind are the decent folks and the only ones that I want as friends anyway.

Although I totally support the gaming industry, I believe there should be limitations. I believe a person should have to make a conscious decision to go gamble. Gaming devices should not be placed everywhere people need to go for necessities and compulsively lose their money. I didn’t like slot machines in grocery stores to entice mothers and fathers going into the store to buy bread and milk to end up losing the money to buy what they came in for. Most grocery store owners are not investigated or licensed for gaming and yet are paid, in some instances, that I saw, millions of dollars by route operators for a space lease to place fifteen or more slot machines in their locations, like a grocery chain. On top of the signing bonus, the route operator pays a monthly rental for the space that the machines occupy. That represents a lot of bread and milk and at least some hungry kids.

I used to routinely challenge people who wanted to put slot machines in bars that were too close to schools, too close to churches, or make a fifteen slot machine arcade out of every convenience store. For schools and churches, there were ordinances that usually prohibited such establishments within 1500

feet of such locations. I believe there are issues of respect, decency, and maybe morality issues in the case of bars near schools. Don't the statutes prohibit persons under twenty-one years of age from gambling or holding a gaming license? Doesn't the Board insist that licensees police their casinos to insure that children are not permitted to loiter in the casino? It seemed reasonable to me that we not jam such establishments up against the schools and churches.

There are also safety issues. For example, an individual wanted to build a bar on the north side of Flamingo Road just east of Kenny Guinn Junior High and slightly within the 1500-foot restricted zone. Alcoholic beverages are consumed in bars, sometimes paid for and sometimes given as complimentaries to slot players. Either way, people can become impaired and should not drive. Flamingo Road has a median divider which means that a person leaving the proposed bar must turn west toward Kenny Guinn. I thought it made sense to not license a bar where potentially impaired drivers could only leave by driving immediately toward a school intersection. The application was continued for several months. A concerned parent and resident who lived in the area by the name of Dana Mathews appeared at several meetings and was a leading citizen opponent of this bar for child safety reasons. As a result of her opposition, it is believed that she became the victim of dirty tricks. As many as thirty unwanted magazines were ordered in her name, order blanks were filled out in her name for dolls she did not want from the Franklin Mint, and dry cement and sand was thrown on her car. A flyer she had prepared and distributed around the neighborhood to make the residents aware of her concerns was mailed back to her home with a threatening message written on the bottom. Through it all, she was persistent and undeterred. That application was ultimately denied or withdrawn, but never approved.

A bar cannot survive financially without slot machines, so sometimes they try really hard to obtain approval or discourage their detractors. During the hearings, the applicant wanting to place slot machines at the proposed bar location would say things like, "I assure you, Mr. Cunningham, that the children will absolutely not be permitted into the bar for any reason." I would respond with something like, "If keeping the little rascals out of the bar was my only concern, I would make the bar owner place the doorknobs five feet off the ground." The applicant told me that there was a fence completely around the school and the children were contained within the school grounds. My response to that was, if someone built a burlesque place across the street from your house and then built a fence down the middle of the street, you would still have a burlesque place across from your house. I tried to make the point that there were larger issues other than the physical facts, but money seemed to make all other issues moot.

Business operations of fifteen or fewer slot machines are restricted by statute to the number of slot machines that are incidental to the primary. No one could agree what "incidental" means. I would require that convenience stores and the like that wanted to increase the number of machines from four or five to seven, or ten, and up to fifteen, to bring in their financials to the hearing so the Board could attempt to determine if the machine revenue was incidental to the primary business. Five or six machines, in the right location, can produce very large monthly revenues. This prompted extensive discussions about what "incidental" means. The Board would concede up to 50 percent as incidental and applicants would still argue the point. My favorite question was, "If your boss would cut your salary by some incidental amount, say by 50 percent, would that upset you and would you say that was more than an incidental amount?" They might stutter and beat around the bush, but I never recall anyone ever agreeing that more than 50 percent of their revenues from slot machines would violate the incidental restriction in the statute even though many businesses would go out of business without the slot machines. Some applicants tried to factor in the phone bills, light bills, property taxes and all kinds of things to the cost of the slot machines in an attempt to show that they were not as profitable as we thought they were just because the

machines pulled in a lot of money.

Several of the commission members complained that they didn't think it was right that the Board forced these licensees to bring in that sort of information and financials. One commissioner, who I like very much, would complain in private that he didn't think the Board should be setting policy in that matter. I questioned why we would worry about who sets the policy; why don't we discuss the merits of the issue. The end result was that they generally ignored my concerns about this issue just as they did about many of my other concerns. I had a former policeman and friend, Tommy Park, who was applying for a restricted gaming license for a bar which was slightly inside the 1500-foot restricted zone. I told him before the meeting that I opposed that type of application 100 percent of the time, but as a friend, I would give him the option at the hearing of listening to the long version of my spiel or the short version. He said, "Hell Gerry, I know how you are. Give me the long version." I gave him the long version and voted against the application, but the Board on a split vote and Commission unanimously gave him his license anyway. He doesn't have the bar anymore, so only he can say if I was right or wrong.

Yes, there were those who didn't like what I had to say, but there were those who did.

Were you or any of the members of your family ever threatened with physical violence?

Yes, during the American Coin investigation there was one telephonic threat on my life, and on one or two occasions I was notified by Metropolitan Police Intelligence Bureau personnel that they had picked up on vague information that someone wanted to hurt me or might try to set me up. They did not know the methodology that would be employed. They said it could even be a retired police officer, which was very hurtful to even think that somebody I probably knew would do anything like that. In reality, to my knowledge, nothing like that ever happened, but it made for very uneasy and difficult times. I wasn't sure what to expect, but as an example, conceivably, someone with a hidden recorder could approach me concocting veiled overtures about making it worth my while if I could help them with an application that had problems. Since I am retired from the Metropolitan Police, with twelve years as the Chief of Detectives, the natural instinct would be to go along with the proposition and set that person up for possible arrest on attempted bribery. Unfortunately, in that scenario, I would never have seen them again. I would be the pigeon and would read about it in the newspaper.

In another situation, one evening my wife Gail was taking out some trash around midnight. A black or dark-colored Corvette was parked across the street from my house. She could only describe the driver as male having what looked like bushy hair. When he saw her coming out the front gate, he backed the car through the intersection and backed down the street turning into a condominium complex at a fairly high rate of speed considering he was driving backwards. She came and alerted me to what had just happened. We went outside and were standing behind the archway entrance to our home, looking in the direction of the condominiums when we saw a bushy-haired male walk out from the side of one of the buildings, look in our direction for a short time, then retraced his path out of sight. Within seconds, we observed the same Corvette reappear and speed off in a direction away from our house. Since I was not fully clothed and did not have my car keys on my person, I could not pursue the vehicle.

One other time, after I left the billiards hall which was my means of getting away from the rigors of the job, an attractive female very overtly tried to get my attention by pulling alongside my vehicle, blowing her horn, smiling, and waving. She then passed my vehicle and shortly thereafter, pulled into a gas station providing the opportunity to contact. I couldn't read her license plate and was too concerned about ending up on video tape even if I only pulled into the station to obtain the plate number. You never

know what she might have done, if it was a set-up. I would like to think the incident happened because I am so good looking, but it was more probably was another attempt to compromise my integrity.

Those were difficult times and routinely upsetting somebody at licensing hearings on a monthly basis, anything was possible. As an honorably retired police officer I am permitted to carry a concealed weapon and I often did. There were many places where a weapon could not be used, but there were many nights when I left the office late at night and there were many darkened parking lots. I was never afraid or paranoid, but if a miscreant attempted a felonious transgression against me, I wanted the ability to cause him remorse.

Well, why did you leave the Board?

There were several reasons, I suppose. It was certainly an interesting job and I shall always be grateful to then-Governor Richard Bryan for the appointment, but it was an extremely arduous job. My ideas on slot machines in grocery stores, convenience stores, pawn shops, and laundromats were not in sync with the commission members and often not even with my colleagues on the Board. I was opposed to residential casinos because of the effect on the downtown casinos which historically were supported by local residents. I was opposed to the approved foreign gaming regulations. That should be sufficient to make a pretty good case of frustration and it is not at all certain that the new Governor, Robert Miller, would have even offered me a reappointment.

Would you have taken the appointment if he had offered it?

Respectfully, I would not have accepted.

Who replaced you on the Board?

Steve DuCharme. Steve is a friend and was a colleague on the Metropolitan Police Department. I believe he was an excellent choice.

Did you have any association with the gaming industry after you left the Gaming Control Board?

Not initially. During my tenure on the Board, I appropriately made no effort to establish any relationship with any licensee. I worked right up until quitting time on December 31, 1990. When I walked out of the Gaming Control Board offices that day, I had no job and no prospects for getting one. I was retired with twenty-five years at Metro and four years with the Board. Subsequently, I was contacted by various establishments which need an outside independent member to serve on their Nevada Gaming Commission mandated regulatory compliance committees. Most compliance operational plans call an independent member who is familiar with gaming law and regulation. I fulfilled that requirement. I have never sought any compliance committee membership position, but was asked to serve on the compliance committee by someone in the particular casino organization or recommended by someone who liked my reputation. I am proud of that fact and grateful to those friends.

I have worked for a number of prominent Las Vegas casinos and conglomerate casino organizations. I still serve on three compliance committees in Las Vegas and I am one of three commissioners on the Oneida Nation of New York Gaming Commission which regulates the Turning

Stone Hotel Casino and Resort in Verona, New York. The Turning Stone Casino is recognized as one of the foremost properly regulated Indian casinos in the United States. In recent years, the Oneida model of regulation has been adopted by several other casinos.

Did you pattern some of those regulations, or a lot of them, after Nevada regulation?

The regulation is an amalgam of Nevada and New Jersey regulation and some that we put together ourselves from other sources. For example, we have a problem or compulsive gambling regulation that is superior to either Nevada or New Jersey jurisdictions. Our surveillance and internal audit departments are controlled by and report directly to the Commission. These departments are totally independent of the gaming operation. Our executive director is an attorney with an accounting degree. We have approximately twenty gaming inspectors who actually work the gaming floor, three or four inspectors per shift. One of the other commissioners is an attorney, formerly with the New Jersey Division of Gaming Enforcement for fifteen years. I think we have a pretty good handle on the situation.

Gerry, in 1990 it was discovered that Matis Marcus, a government informant, was running an illegal bookmaking operation. When the Gaming Control Board heard of the operation, who was directed to head up an investigation of that operation?

Well, initially, of course, I was involved, and there were no select individuals who were appointed at that time. Later, Gary Atkins and Ken Alkire were assigned to do the investigation, but I was involved initially to a great extent.

Was there a raid held on the operation?

Well, yes, there was. But prior to that, I'd like to say that apparently this Matis Marcus had served as a paid informant for the IRS. They had, back in the mid-1980s, created and operated a similar illegal sportsbook, and it was called Project Layoff. Project Layoff, as I understand from newspaper accounts, probably handled millions, maybe up to twenty-two million dollars in total handle. But the end result was that the federal government had put into that operation about six hundred thousand dollars and got very little in return. Marcus was paid as an informant to perform those services. And it's my belief that either Dennis Cooper, Ron Hollis and John Taylor—one or all of them—became aware of that operation and had contact with Mat Marcus. Apparently, they decided that they would conduct their own illegal sportsbook. Later, of course, the identified purpose for establishing that sportsbook, as I understood it, was in order to get information about other illegal bookmakers, and Matis Marcus was rewarded for that information by being allowed to operate an unlicensed sportsbook.

I became aware of this situation on about June 3, 1990. Agents of the Gaming Control Board Intelligence Bureau executed a search warrant at 1111 Las Vegas Boulevard South, Suite 317, which were the offices of Marcus Sports Service. I was first apprised of this event on a Sunday evening, June 3, 1990, by a telephone call from Acting Chief of Enforcement Ron Hollis. This phone call was initially answered by my wife, who identified the caller as Ron Hollis by asking his name prior to transferring the call to me. Acting Chief Ron Hollis briefly explained that they had executed a search warrant at the above location, which was the 1111 Las Vegas Boulevard South, and they had arrested six people. I asked if everything went OK, which he said it did. I complimented him on a job well done and terminated the

brief call with a comment of, "Keep me informed." Since this was a reading weekend prior to a Board's public meeting, I was extremely preoccupied with the preparation for that meeting and simply perceived Acting Chief Hollis's call as a courtesy call.

Many of the dates and facts I'm going to give you are taken from my personal notes, and so it's with some degree of precision that I'm able to give you the dates and times. On June 4, 1990 a press release was issued on Control Board stationery which described the execution of the search warrant at 1111 Las Vegas Boulevard South, listed the items seized during the process, and also included information that six people had been arrested in the operation. I still have a copy of that press release, and I'll read it if I may. It's dated as I had indicated, June 4, 1990. It states as follows: "The Gaming Control Board announced the arrest Sunday of six men in connection with a large-scale, illegal bookmaking operation centered in Las Vegas. According to Ron Hollis, Acting Chief of the Gaming Control Board's enforcement division, the arrests followed a month-long investigation by agents assigned to the Gaming Control Board's Intelligence Bureau. Acting under a search warrant, agents seized telephone and office equipment, computer equipment, and a large quantity of illegal betting records from the Marcus Sports Service at 1111 Las Vegas Boulevard South in Las Vegas. The operation was accepting wagers on both horse races and sporting events, estimated to total approximately one million per week. The following individuals were taken into custody: Matis Marcus, forty-five; Las Vegas Dennis Cook, forty-two, Birmingham, Alabama; John O'Herlihy, forty-one, Denver, Colorado; Arthur Goldberg, forty-two, New York City; Michael Rossi, thirty-six, Las Vegas; and John Strong, thirty-two, of Oklahoma City.

According to Hollis, the operation, which involved approximately twenty employees, accepted wagers from bettors living in various parts of the United States and Canada. Hollis said that preliminary analysis of the records seized indicated that a majority of bettors were from Chicago, New York, and Florida. A search revealed that the office had eleven telephone lines, plus three toll-free lines for the acceptance of wagers by telephone. Hollis said that the arrests were part of an ongoing crackdown by the Gaming Control Board against illegal bookmaking operations in Nevada. Hollis added, 'Illegal bookmaking operations pose a significant threat to gaming industry because they divert thousands of dollars from licensed sportsbooks and from potential state revenue. Additionally, the individual bettors have no guarantee that their winnings will be paid.' According to Hollis, the investigation is continuing." And that's the end of the press release. On June 4 an internal intelligence daily report was issued basically describing the same information and indicating that six people were arrested, and that two individuals, Dennis Cook and John O'Herlihy, were undercover operatives—Agent Cooper and Taylor, respectively. I had not seen either of these documents until Thursday, June 7th, 1990, since Monday, June 4th, I did not come in to work as I stayed home to read. June 5th was rump. That's what we called the meeting with the investigators. June 6th and 7th were board public meetings.

On the evening of June 7th, after the board meeting, Chairman Bill Bible advised Mr. Tom Roche and I that he had learned that the search warrant executed at 1111 Las Vegas Boulevard South location was not a legitimate operation, and that no one had, in fact, been arrested since the entire situation was concocted by members of the intelligence detail. I don't recall precisely Chairman Bible's words, but this is my perception of what I was told, and Ron Hollis was the individual that the chairman indicated had disclosed this information to him. I recall reviewing at that point the Intelligence Bureau daily report and expressed extreme dismay and disgust with Chief Hollis for having published or written an intelligence daily report that was intended for board members' eyes only, which was false. I remember talking about the fact that if he had written the document knowing the contents were false that I personally could have no further use for Mr. Hollis. I also reviewed the Intelligence Bureau's daily report dated on May 24th,

1990. On the second page there is a reference to the Marcus Sports Service, where agent Cooper had been acting in an undercover capacity, and their intent to execute a search warrant at that location. I later learned that Agent Cooper was well known to Matis Marcus and the individuals working in the Marcus Sports Service. Therefore, it is impossible that he could have been working in an undercover capacity at that location. It was also learned that the illegal bookmaking operation was known to the agents of the Intelligence Bureau for an extended period of time and condoned by them. Thus, the report was, at least in part, is insincere, dishonest, and clear-cut evidence of Acting Chief of Enforcement Hollis's attempt to deceive the Board.

During the intervening period from June 7th until June 15th I spoke to Chairman Bible several times about his continuing inquiry into the Marcus matter. The only outstanding aspect of these discussions dealt with the chairman's intention to have Acting Chief Hollis travel to Carson City for the purpose of a complete discussion of the Marcus matter and the subsequent results of that discussion. On June 15th, 1990 I talked to Chairman Bible about his interview with Ron Hollis and learned that Matis Marcus had apparently been allowed to operate his illegal bookmaking operation since the latter part of 1987. I was further told that no board member had ever been advised of this activity and that Ron Hollis had resigned effective 5:00 p.m. on this date. We also talked about making Deputy Chief Walt Ramey aware of the circumstances of this situation, and possibly putting him temporarily in charge of the Intelligence Bureau.

After concluding that phone call, I contacted Deputy Chief Walt Ramey, and in my office briefed him on the Matis Marcus situation. Upon completing the briefing, I again talked to Chairman Bible on the telephone. It was agreed that I, along with Deputy Chief Ramey, should go to the Intelligence Bureau and secure the files that related to the Marcus Sports Service, and/or Matis Marcus. At approximately 11:00 p.m. on that date, Deputy Chief Ramey and I made contact with Acting Chief Hollis in his office. I explained the purpose of my visit and asked for the Matis Marcus file. Hollis told me there was none. I expressed surprise that no such file existed, and it was at that time that Hollis turned over to me a legal-sized file labeled Marcus Sports Service, which contained nothing more than newspaper clippings commencing in June of 1990 referring to the Marcus Sports Service and Matis Marcus. In other words, just newspaper articles about those things. I persisted in my request, and Hollis led me into the Intelligence Bureau records room, where he opened a top drawer of a security-file cabinet, and stated that if such a file existed that this is where it should be located. He again stated, "There are no files on Matis Marcus here." Adjacent to the cabinet were some three-by-five file drawers containing typed index cards, which I searched looking for the name of Matis Marcus, but to no avail.

I asked the question, "Do you mean to tell me that if I ran the name of Matis Marcus I cannot find anything in the intelligence records?"

He said, "It may be in the computer," but the index cards that I was looking for were for older files.

I then called to the Intelligence Bureau secretary, Diane Glassford, who came into the records room and checked the computer index for records on Matis Marcus or Marcus Sports Service. Two records were reflected in the computer: one for Marcus Sports Service and the other for a Paul Citelli. The first file listed was located and contained an assignment sheet, newspaper clippings, as in the previous file given to me by Hollis, an affidavit for search warrant for the location of 1111 Las Vegas Boulevard South, Suite 317, and a search warrant signed by Judge Earl White for that location. The second file on Paul Citelli had been signed out by Agent Dennis Cooper, and was later located and taken by me. I restated my request for other files on Matis Marcus and was told there was a LEIU—that stands for Law

Enforcement Intelligence Unit file—on him, but nothing more. We then proceeded into the Intelligence Bureau reception area. And in front of Deputy Chief Ramey, Ron Hollis, and Diane Glassford, I asked Agent Dennis Cooper, who was in that area at the time also, if he had any files on Matis Marcus, and I recall his reply was essentially that no, there were no files on Matis Marcus. Agent Cooper stated that they had made a deliberate effort to never mention him in any report, and that the only place that he could be found would be in individual cases wherein he was listed as a confidential informant.

I asked Dennis Cooper if we could speak to him in his office, and Deputy Chief Ramey and I proceeded to follow him into his office. The office was heavily laden with reports and paperwork on his desk, on the file cabinets adjacent to his desk, on a table in front of his desk, on the floor, and in boxes in front of his desk. He explained that the majority of the paperwork related to the Paul Citelli file, and he identified a large file on his desk as being the original Paul Citelli file from the Intelligence Bureau records section. I asked Agent Cooper if he had any objection to my looking through the files to see what may exist, and he gave me his permission. A cursory review of those documents on the surface of the pieces of furniture and floor substantiated Agent Cooper's statement that most of the documentation related to Paul Citelli file, except for a group of files on his file cabinet adjacent to the desk, which were related to a variety of things *other* than Matis Marcus or Paul Citelli. I then asked to look through the file cabinets in his office and he agreed that I could do so; however, for the most part, they were empty. When I inquired as to why nothing was in the file cabinets, he explained to me that he was moving from his old office to this, his new office.

I then opened the top right-hand drawer of his desk and he immediately complained that he would have to object at that point. I stopped what I was doing in order to inquire as to why he would complain, and he stated that he thought at this point I was going too far. I told him, "Very well," that I would suspend him and secure the office until such time as it was decided by legal counsel what was the proper approach to look through the desk. We then proceeded to the hallway where I observed Deputy Attorney General Scott Scherer talking to Diane Glassford and asked him to join me. I explained the situation to Mr. Scherer, and after I had completed the explanation, Agent Cooper indicated that I could go ahead and look, that he was just objecting out of principle. I told him that I did not wish for him to do anything that he was uncomfortable with, but if it was truly voluntary, I would proceed to look through the desk.

He, at that time, of his own accord, opened the drawers and said, "Look, I have nothing to hide."

I leafed through several annual diaries which contained short notations, most of which were not meaningful to me, and therefore I did not take them. In the upper left hand drawer of his desk were four documents paperclipped together relating to payments from the chairman's revolving fund. The first document seemed to log a series of informant payments. The only name listed was the name of an informant. The second two documents were expense sheets made out by Agent Cooper to the name of the informant, and the fourth item was a memorandum dated June 4th, 1990 from Harlan Elges, Chief of the Administration Division, to Ron Hollis, who was the acting chief of the enforcement division, regarding a reimbursement expense, wherein Mr. Elges authorized the expenditure of \$1286.36 to a confidential source. All of these items were initialed by me and dated 6-15-1990. These items were also seized by me, and Agent Cooper was given a Xerox copy for his records.

All the items that I seized that day were later put in a safe belonging to Deputy Chief Walt Ramey and were not removed again until about June 26, 1990, which was when the Gaming Control Board investigators Ken Alkire and Gary Atkins were provided with these items for review. The contents of Chief Elges's memo were very specifically referred to in a *Las Vegas Review-Journal* article by Howard Stutz and Allen Tobman, dated June 24, 1990. It can reasonably be concluded that a copy of Chief Elges'

memo in possession of the *Review-Journal* reporters was supplied by Agent Dennis Cooper.

I want to read to you just a portion of the article that was in the *Review-Journal* dated June 24, 1990, which substantiates what I just said about Cooper giving the articles to the paper. It states, "Gaming Control Board officials approved a \$1286.36-reimbursement payment to confidential informant Matis Marcus earlier this year for expenses he incurred while helping agents in an undercover operation in Carson City. The disclosure comes at a time when the Control Board is denying it had any knowledge that Marcus was working as an informant for the agency. Regulators also said they would *not* have approved of ex-gaming agent Ron Hollis's decision to allow Marcus to operate an unlicensed sportsbook in exchange for information or other illegal activities. The \$1286.36 payment to Marcus was approved by Harlen Elges, the Control Board's Chief of Administration. Elges confirmed the reimbursement in a memorandum to Hollis dated June 4. Control Board Chairman Bill Bible, in an internal memorandum from Hollis dated March 30, was notified of the reimbursement request, which covered airline tickets, hotel rooms, and a rental car Marcus paid for while helping two gaming agents pose as potential buyers for the Carson Victory Club in March. This memorandum does not name Marcus specifically." As you can see, the newspaper article does go on, but it's so specific with regard to certain factors that it clearly indicates someone from the Gaming Control Board gave the reporters that story, and it certainly would not have been anybody from the administrative portion. I assumed it was Agent Cooper.

Going back to the review of the things found in Agent Cooper's desk. In the right-hand, bottom drawer of his desk, I found numerous letters written to a Wayne Marcus in Las Vegas, Nevada, from a lady by the first name of Gloria, who lived in Milpitas, California. I asked Agent Cooper what these letters represented and what he was doing with them. Agent Cooper said that they were letters from a friend of Marcus and that he, Cooper, was merely retaining them for Mr. Marcus. I seized the letters and ultimately put them in a large manila envelope, sealed the envelope, and allowed Dennis Cooper to also initial the sealing area. Additional items seized on that same day was a draft of an investigative report dated June 14, 1990 regarding the Paul Citelli investigation, which was being typed in the Intelligence Bureau secretarial area. After the typing was finished, I required that a copy be made for me in unedited form, after which I initialed each page with my initials and returned the computer disk to the secretary. The document along with Dennis Cooper's original notes were also taken.

The last document acquired on this date was voluntarily turned over to me by Agent Cooper and is described as follows: it was in a letter-size manila envelope, which had been mailed from R. B. Marcus in Philadelphia to Mr. Matis Marcus in Las Vegas, postmarked 2-25-1985. The envelope contained multi-page documents from the District Director of the IRS in Reno describing an outline of the proposed plan for their case project, which was called Project Layoff, which bore the notarized signatures of Matis Marcus and dated June 18, 1984; two receipts for consideration received, dated 21 August, 1985 and 9 September, 1985 respectively, bearing notarized signatures of Matis Marcus, and three hand-written pages of what appeared to be operational agreements bearing the notarized signature of Matis Marcus during the 1984-1985 time period, one of which bears the signature of an IRS agent, Leo Halper.

During my discussions with Cooper he made a voluntary statement regarding the Matis Marcus matter to the effect that he had been in law enforcement as long as I had, and that he had been involved in fifty of these operations when he was with the ATF and there was nothing wrong with them. I replied that he could probably speak better to the federal aspect than I could since he had been employed with a federal agency, but condoning any type of unsupervised, illegal conduct did not reconcile with my understanding of proper police procedure. At approximately twelve noon, Ron Hollis had asked for and was given permission to keep a doctor's appointment, and upon his return he had packed a half a dozen or

so boxes of his personal belongings from his office. A cursory check of the contents of these boxes revealed that nothing of an improper nature was being removed. I was told that two boxes had been taken out to his vehicle without my consent or knowledge, and those boxes were not checked.

Prior to my leaving Hollis's office, I asked him who the people were that were listed as arrested in his June 4th daily report, such as Arthur Goldberg. He replied that those were just people who were selected to be arrested. He made the voluntary statement that Chairman Bible told him that I went ballistic when I heard about the situation, and I replied that "ballistic" might have been a little strong, but there was no doubt that I was extremely upset that such activities could occur without my knowledge, and I was totally offended that he, Ron Hollis, would write daily reports to the Board which contained untrue statements. I further explained that I could not understand why he had not discussed the situation with me, and his only response was, "I'm sorry." Between the June 3rd, a Sunday-evening telephone call described earlier, and the contact and conversations on June 15th, 1990, I had no further conversations with Ron Hollis. Throughout the course of conversations with Chairman Bill Bible during June 15th, it was decided that senior agent Dennis Cooper should be placed on administrative leave with pay until the investigation of this matter had been concluded. At approximately 5:00 p.m. on that date I went to Agent Cooper's office and advised him he was being placed on administrative leave with pay until the conclusion of the investigation in this matter and presented him with a memorandum to that effect. Agent Cooper made a remark, "I may as well tell you there are two others just like this." I replied that his remark certainly concerned me and that I would talk to him as to what he meant by that statement on either Monday or Tuesday and asked him if he would be available. He replied he would and I left his office.

On Tuesday, June 19th, 1990, at approximately 2:00 p.m., I had Chief of Enforcement Ron Asher join me and we talked to Dennis Cooper in my office. I related to his Friday, June 15th, remark and asked him to fully explain. Cooper told me that an informant was apparently conducting an international, illegal bookmaking operation out of the Dominican Republic and there were numerous pay and collection locations throughout the United States, including Las Vegas. He told me that because of the cooperation of the Clark County district attorney's office an informant was introduced into the operation and was presently working in the Dominican Republic. The informant was described as a defendant in an eighty-four-thousand-dollar ticket scam at the Hilton, and I was later told his name, but I choose again not to use it in this report. Agent Cooper also indicated that the informant is scheduled to appear for sentencing as a result of an earlier conviction, and it's my understanding that that informant that I had originally mentioned here was sentenced to eighteen months in prison, although I'm not positive about that.

I asked Agent Cooper about the second situation that he referred to, and he stated there was no second situation. In pursuing this area of questioning, Agent Cooper stated that the second situation was in the planning stages only. I asked him what the plan was and he replied that they had thought about setting up a sting operation using a madam, and had thought about using the Metropolitan Police Department, but no contact had been made. Agent Cooper clearly gave me the impression that the intent was to set up an illegal prostitution operation in order to gain information. I did not ask him how the information would be obtained, but did tell him that it would be totally improper for the metropolitan police department, or the Gaming Control Board, to be involved in any such operation.

On Wednesday, June 27th, 1990, I learned from Deputy Chief Walt Ramey that an Intelligence Bureau clerk had located a file on Matis Marcus. I subsequently viewed this file, and although it did not contain extensive amount of material, several items of particular interest to me were found as follows: a letter postmarked July 1987, written to Sports Service by an anonymous writer indicating that the FBI was aware of their operation. This particular item dated the illegal sportsbook that the Gaming Control

Board was conducting, which led it back to that early 1987 date. There were also two memos from agents of the enforcement division dated February 2, 1988 regarding Sports Service at 1111 Las Vegas Boulevard South written by two agents of the Gaming Control Board and also a Ron Hollis 1990 memo discussing Sherry Compton of Consumer Affairs regarding a cease-and-desist order and license fees regarding the Marcus Sports Service.

Several other documents were contained in this file; however, those that I have listed have significant meaning to me as follows: the postmark on the anonymous writer's letter suggested a close relationship between Marcus and the Intelligence Bureau personnel as early as July 1987, rather than in the latter part of 1987 as was told to Chairman Bible by Ron Hollis. The two enforcement memos and the Elges memo ended up in the hands of the press at or about the time Agent Cooper was relieved from duty and Hollis resigned. The Sherry Compton memo clearly indicates that Ron Hollis had current awareness and recollection of a Matis Marcus file, since this memo was filed therein. However, on June 15, when I asked both Cooper and Hollis about a Matis Marcus file, both denied that such a file existed.

On June 27, 1990 I received information from a confidential source that an individual by the name of Arthur, whose phone number was provided, was speaking rather candidly about the Marcus Sports Service, Matis Marcus, and individuals connected with the illegal bookmaking operation. According to the confidential source, Arthur was of the opinion that Matis Marcus would be back in business in a couple of months. He alluded to the fact that he knew the whereabouts of the computer used to operate the illegal sportsbook. He talked about the total write being approximately seven hundred and fifty thousand per week. He also talked about payments that were made by check, that all customers were from out of state, and also about the difficulties of collecting from some of the bettors. In the computer files, he said there were index files of code numbers under which the name of the bettor and his phone number could be found. Most of the people who worked at the sports service he indicated were retired people. New bettors were taken only from referrals and someone else who was known to the operation. He indicated that he knew Dennis Cooper, and that Dennis Cooper came to the location frequently and would routinely ask who to bet on and then would place calls to unknown persons; that Dennis Cooper also gave advice to them on how to deal with customers who would not pay; that Cooper enjoyed the atmosphere in the sports service.

According to the informant, Arthur stated that Cooper had attended a barbeque at Dan Murphy's residence, which I believe occurred on or about June 4, 1990. Dan Murphy was originally Marcus's partner. I believe he was a maître d'. According to newspaper accounts, Mr. Murphy had contributed up to thirty thousand dollars to get the sportsbook at 1111 Las Vegas Boulevard South started. Arthur additionally told my informant that he did not know Ron Hollis, that a Donna Brooks worked at the sports service in a secretarial capacity. Daniel Murphy had resigned as chairman of the Alcoholics Anonymous on June 27, 1990. Apparently Chairman Bible received a telephone call from an individual identifying himself as Kramer, who supplied Arthur's first name and telephone number. The telephone number provided the ability to identify Arthur as Arthur Elliott, who lived at 2500 Karen, #24. After I received the information I relayed it to Chief Gaming Deputy Attorney General Brook Neilsen.

Did you ever have any further involvement in this problem area, Gerry?

Well, actually I did. Ultimately, you know, the Gaming Control Board assigned a couple of investigators by the name of Ken Alkire and Gary Atkins. But prior to that time, I had an informant that told me about a lady who had quite a bit of information about the sportsbook operation because she

worked there, and it might be very beneficial, but she was extremely frightened at that time. Ultimately through the informant that I had, I set up an arrangement whereby I rented a room at the Circus Circus, and there along with the informant met with the lady that I came to know as Donna Brooks. Ms. Brooks had a male companion with her at the time, and she explained that she had worked at the sportsbook. Thereafter, she provided a great deal of detail about the numbers of people who worked there, Dennis Cooper's activities, Matis Marcus's activities. She also had with her a large briefcase which contained large numbers of three-by-five cards on which were written the information about bettors that were used by the sports service during their illegal operation. She also had line sheets and various other bookmaking materials which were used in the operation. She also told me about a storage area where, again, additional quantities of sportsbook materials were stored. I looked through the material that she had. We talked at some length and we ultimately agreed that she would cooperate with the Attorney General's office if she were provided with some form of immunity from prosecution. I advised her that there would not be any prosecution against her if she were willing to cooperate with us, and would provide all the details that she had given me, to the attorney general's office, and would help with a search warrant to recover the properties in the storage area. Although my assurance that she would not be prosecuted didn't carry the legal effect that it would if it had come from the attorneys general's office, it, in fact, would be upheld, I believe, by any court if I were willing to testify that I had given her such immunity, and I was willing to do so.

Based on those conditions, I told her that I couldn't allow her to take the briefcase containing the betting materials with her, and I took that from her because I didn't want to lose the materials that she had. I believe that date was July 4th, and it was on July 5th that I had contacted Mr. John Redlein of the Attorney General's Office, told him about the briefcase full of materials that I had taken from Donna Brooks and about her willingness to cooperate and asked him when they wanted to meet with her. He wanted me to bring her down almost immediately, which I did, taking along with me the betting materials in the briefcase that I had described earlier. When we originally met with Mr. Redlein it was important to me that he understand that I had told Donna that she would not be prosecuted. Although Mr. Redlein was not comfortable with the fact that I had given her this type of assurance, he ultimately agreed, since I insisted that I would not allow her to cooperate without that immunity, that he would honor my request. After that was established, I left Ms. Brooks with Attorney General John Redlein, who thereafter did a variety of things, including obtain a search warrant for the storage area that I talked about. It was approximately after this point in time that I was told that the investigators from the administrative division would be taking over the investigation. On approximately June the 25th I met with Agent Gary Atkins and told him what I knew about the Matis Marcus investigation and provided him with a report. I also turned over the information that had been taken from Agent Cooper's office.

After you turned the investigation over to Atkins and Alkire, what did they do with it? How did they proceed?

Well, of course, you know, there were other people in the intelligence unit, some from Reno that were brought down for the false raid, which was one of the reasons that I thought Bill Bible was certainly not involved. He was a good administrator and he was extremely conservative. He would not have wasted the state's money to fly agents down here to pose a phony raid. At any rate, they brought the agents down from Reno, and, of course, there were other Las Vegas agents that were involved in the execution of the phony search warrant. It was Atkins's and Alkire's responsibility to go ahead and interview all of those

people and anybody else associated with the investigation, like Arthur and people of that nature. They subsequently turned the information over to the attorney general's office, who ultimately presented the case to the grand jury. I later testified before the grand jury along with many other people.

The results of the grand jury probe were disappointing to me because I felt there was more than adequate proof to show that Gaming Control Board agents had permitted an unlicensed sportsbook to operate, which is strictly prohibited by a law, that the sportsbook had not paid taxes, which is absolutely prohibited by law, and that there were recordings of bets being taken over the phone, probably in the hundreds, if not thousands. I think each one of those would have been a federal wire transmission violation because of the taking of illegal wagers over the phone lines. For some reason, which I was never provided, no indictments were ever returned against the three individuals that I thought were primarily involved, that being Ron Hollis, Dennis Cooper, and John Taylor. I guess Matis Marcus was ultimately charged with some type of a tax evasion, or failure to pay a tax violation, which was a misdemeanor, so not much happened to him either. There were no indictments and only Marcus paid a very small price for having violated what I thought were very serious aspects of the gaming and criminal law.

And Hollis, Cooper, and Taylor then had resigned from their jobs?

Yes, I believe that they all actually resigned in fact, but they all, of course, later contended that they did so under pressure. There can be no doubt that being accused of doing some of the things that they had been accused, would create a great deal of pressure, because one can reasonably conclude that if they were guilty, as I believe they were, of violating the law, that they could no longer work for the Gaming Control Board. There would have been a great deal of intense pressure for them to leave, which they all did. They did subsequently recant that they had resigned by filing a lawsuit, claiming that they were involuntarily terminated, and any other claim that they could put in the complaint, which was probably twelve items long. It alleged not only involuntary termination but lack of due process, humiliation, whatever they could think of.

Did they sue the Board as individuals as well?

Yes. They sued the Nevada State Gaming Control Board, and they sued the chairman, William Bible, Thomas Roche, who was a former member, Steve DuCharme, myself, Ron Asher, Gary Horton, who was involved in gaming enforcement, Walt Ramey, whom I've discussed. They sued Gary Atkins, the attorney general's office, State of Nevada, Frankie Sue Del Papa, and that goes I through L of the complaint. That case was filed under district court case A308505.

So what was the outcome of that lawsuit against the Gaming Board and the individuals? Did it cost you any money individually?

Well, I had asked, as I'm entitled to do, for the state to provide for my legal defense, and I was provided with that service since I was a member of the Board. They undertook depositions, which I participated in as did many other people. Probably most everybody involved would have given depositions. On numerous occasions the plaintiffs made requests for an out-of-court settlement, and each time I objected strenuously to the point that it almost became a joke with Attorney Walt Cannon.

Walt Cannon was their attorney?

No, he was *our* attorney, and he provided our defense. Because I so immediately rejected the idea of settling with these people, whom I felt were so wrong, that it was almost a joke, he would always say, “Now, Gerry, I know that you object”—he put it really in harsher terms than that, explaining— “but I’m obligated to present these settlement offers as a legal situation, so I have to tell you about it.” Each time, of course, I objected to it. I believe on an occasion when I was out of town in New York, Mr. Bible and Walt Cannon entered into a settlement agreement and ultimately agreed to pay the plaintiffs a hundred and ten thousand dollars.

That was a hundred and ten thousand each or a hundred and ten thousand dollars?

I believe that was a hundred and ten thousand dollars in total, but even that I thought was too much money to pay these people. They deserved nothing, in my estimation. Mr. Cannon had talked about the cost of our defense, and I questioned how we should be so concerned about the cost of the defense when the state was paying his salary and expenses and the three plaintiffs were basically paying on their own. I felt their charges in the complaint were totally improper, and I wanted it to go to a jury trial, but nonetheless they settled it without my consent on the matter while I was present.

When I did discover that they had settled the case I was *extremely* upset about it, and I told Mr. Cannon that I was very upset about it. He said, “Well, they know that you didn’t participate in the settlement and that they stand the possibility of you coming back on them.” I told Mr. Cannon that I wanted to sue them. Mr. Cannon graciously agreed that he would sue them for me on a contingency basis, and then we discussed what benefit would come from that. They had no money. It would cost me a lot of money for depositions et cetera, and so it would be like adding insult to injury. After our discussion, I decided to conclude it, but I was extremely disappointed at the way it was handled.

When they were awarded that hundred and ten thousand dollars, was that anything out of your pocket, or it was all the state’s money?

No, it didn’t cost me anything. And it probably never would have, because I think I was covered by the state. The position on the Gaming Control Board is what they call a quasi-judicial position. In essence, unless it can be shown that you did not act in good faith, as a board member you are immune from any type of prosecution, as a judge would be. Of course, I don’t believe I did anything wrong. I reacted to a situation that was abhorrent, was improper, it was illegal, and it involved people that worked for me and with me. I could have done nothing more than I did or any less.

We only briefly mentioned Mr. Bible. Weren’t there a lot of rumors or conjecture going around that the former board members, such as Michael Rumbolz and current board members, like Bill Bible, were aware of this situation?

Yes. Ron Hollis pretty much advocated all along that Mr. Bible knew, and I believe that that’s a distortion of the facts. Mr. Bible knew probably after the illegal raid, and it wasn’t until several days later, like on June the 7th, that myself and member Roche were told about it. Hollis and Cooper, in their minds, I believe, projected it all the way back to 1987, which would be rather ludicrous, because in 1987 the

board chairman was Bart Jacka. Jacka didn't know, and Hollis never claimed that he knew. After him it was Mike Rumbolz. Although Hollis contended at one time that there may have been a memo authorizing the operation issued by Mike Rumbolz, that was never produced. Mike Rumbolz denied that he knew, and I believe it to be true that he had no knowledge of the sports book operation. After that Bill Bible came on as the chairman of the Board. Between the time he came on the Board and June of 1990, there was never any mention of it. I believe that they lied about Mr. Bible's awareness and knowledge of the illegal sports book if they inferred that he knew about it prior to the false raid which occurred on June 3, 1990.

They were possibly, or probably, just trying to throw some dirt on someone else to take some of the sting off of them.

Well, I think they were trying to find some way to legitimize what could not be legitimized and maybe that is that they had persisted in the condoning of the illegal sportsbook over a number of years. I believe it was said that they did not do it for monetary gain but for information on other illegal bookmakers that were operating in the Las Vegas area. I also understand that there was a Buffalo LCN group that had been identified through the efforts of Matt Marcus. I don't know if that's true or not. But anyway, they were illegal bookmakers, and supposedly Marcus provided the information which led to their undoing. The reason they allowed him to operate his illegal sportsbook was to get information.

I didn't quite understand the Buffalo LCN. What is that?

I believe it was a Buffalo, New York, La Cosa Nostra group that was operating an illegal bookmaking operation in the Las Vegas area. I believe they arrested some of the individuals from that organization in an illegal bookmaking arrest. Unfortunately, the end did not justify the means.

6

WILLIAM (BILL) CURRAN

Born in Minneapolis in 1946, Bill Curran earned an undergraduate degree from the University of Minnesota followed by a law degree from the University of California, Berkeley School of Law in 1972. His Nevada career began with a clerkship for Chief Justice E.M. Gunderson at the Nevada Supreme Court in 1973. He then worked as a Deputy District Attorney from 1975 to 1979, and as County Counsel for Clark County from 1979 to 1989. Curran was appointed to the Nevada Gaming Commission by then-Acting Governor Bob Miller in 1989 and served on the Board for ten years, acting as its chair from 1991 to 1999. In the meantime, he started his own private law practice, ultimately becoming a partner at Ballard Spahr LLP. A founder of the International Gaming Institute at the University of Nevada, Las Vegas, Curran was the chairman of the International Association of Gaming Regulators from 1993 to 1994.

Bill Curran, 1999. Photo courtesy of Bill Curran.

Dwayne Kling: Good morning. This is Dwayne Kling. It's March 30, 2004. I'm with Bill Curran in his office in Las Vegas, Nevada.

Mr. Curran, does the Oral History Program of the University of Nevada have your permission to make available to the public the tapes and transcripts of the oral history interviews that we are about to begin today?

William Curran: Yes.

I will start out by asking you when and where you were born.

Well, I was born in 1946 in Minneapolis, Minnesota.

When and where did you come to Nevada?

After I got out of law school at Boalt Hall, down at U.C. Berkeley in 1972, I had a clerkship arranged at the Nevada Supreme Court. Ultimately, I got here in early 1973. I started with the idea that I was going to be a law clerk and soon found myself filling a vacancy as state court administrator. And thereafter, I held that position as well as being a regular law clerk to one of the justices until about June of 1974.

Did you do your undergraduate work at University of California, Berkeley, also?

No, I went to University of Minnesota in Minneapolis.

So that was a long move for you to get from the University of Minneapolis to Cal, wasn't it?

It seemed worth it one June day when we had a blizzard in Minneapolis, and I thought, "I've got to get out of here." [laughter]

[laughter] *Makes good sense. When were you appointed to the Commission?*

Let's see, I was appointed in April of 1989.

Who did you replace on the Board?

Bob Peccole.

You had a little different circumstance than most of the commissioners. You served as a commission member for a while, and then you later served as a chairman. Is that right?

That's right. I was a member for two years. Then I was chairman for eight years after that. And then I even served a few more months back as a regular member again at the very end, until my successor was appointed. For whatever it's worth, before I got appointed to the Commission, in addition to serving as a prosecutor in the Clark County district attorney's office, I have also been county counsel, which is the chief legal advisor for the county commission and for the county and liquor and gaming licensing board. I'd been involved in gaming regulation for eleven years at that level.

As you know, cities and counties have concurrent jurisdiction with the state. And during much of that time, it approached being equal level of jurisdiction. With the county, I was the attorney to the licensing board that regulated the Strip, so I guess I had a little more in the way of background than people who normally come to this with no background in either gaming or gaming regulation.

It's very true. Yes, you're almost an exception with the background that you had. Who appointed you to the Commission originally?

That was Bob Miller, whose title at that point, I think, was “Acting Governor,” because he had filled the vacancy of Richard Bryan, who’d been elected to the Senate. He served as acting governor for two years before he was then elected to his own term and became just plain “Governor.”

Was he the governor that appointed you to be chairman, also?

Yes.

And then you were, of course, reappointed as a chairman. Was that Governor Miller again?

Yes. He also appointed me to chair the Gaming Policy Committee, which, as you know, is another regulatory body that has members from the Board, Commission, and the Legislature.

Had you known Governor Miller prior to his appointing you?

Yes, I’d worked in the Clark County DA’s office with him, and he had appointed me as county counsel when he was district attorney.

During your time on the Commission, there were more than a dozen individuals entered in the “Black Book,” or the List of Excluded Persons. Would you tell us why you feel that the “Black Book” is such an important tool for gaming regulators? Or do you feel it is a necessary tool?

Well, I never gave it the same level of significance, perhaps, that some others did. That isn’t to say that I didn’t think it was a useful and valuable tool. Certainly it played an important role in keeping the undesirable elements out of the gaming industry and in reassuring the public that there was, in fact, an effective regulatory system that did try to keep the gaming industry clean and disallow unsavory types from even entering the casino, much less being involved in forming or operating a casino. I thought an important function, though, was that gaming licensees are required to be careful in their associations, and that includes who they’ll even allow *in* their casinos. And having a clearly-identified list of name that said, at the minimum, these people must be excluded, I thought was helpful to gaming licensees who don’t have the same access to information or investigative material that regulators have. Then sometimes with the enormous number of people who come to casinos, it’s hard to know who’s there, but if there is a small list of names, you can be careful when people register in the hotel. You could be alert to who these people were, at least, and see to it that you kept them out of the premises. Now, I also felt that it had really a public relations function, which I don’t entirely discount the value of, but I certainly never believed that the “Black Book” was at the core of gaming regulators’ efforts to keep the gaming industry on the straight and narrow.

Shortly after you were appointed to the Commission, a hearing was held to determine if Joey Cusumano should be entered in the “Black Book.” He was the first of the many individuals entered in the “Black Book” during your time on the Commission. Was there anything special about that hearing that stands out in your mind?

Well, it was one of the more contested hearings. Oscar Goodman was the attorney who represented Mr. Cusumano. He raised a number of points that presented issues that were somewhat unique. One of the issues that he submitted was that this was a selective persecution of Mr. Cusumano because of his Italian-American heritage. He presented testimony from a professor who said that he had studied the percentage of Italians who lived in Nevada and the percentage of Italians nationwide, and that those numbers were eight percent in Nevada and five percent nationally, and that 60 to 70 percent out of the members of the "Black Book" were Italian-Americans. He took that as statistical evidence that there was an invidious discrimination against Italian-Americans. [long pause]

He presented another issue that had to be dealt with that I thought had some credibility, and that was there was a large number of people working in the industry who did, in fact, have work cards, who had been given work cards notwithstanding the fact that they had prior felony convictions themselves, as had Mr. Cusumano. He subpoenaed an intelligence officer from the metropolitan police department, who had, in fact, given a work card to somebody who had been convicted in the same crime with Mr. Cusumano, who had been released from prison and came back and was issued a work card, and said it was unfair to give it to this person who was not Italian and to deny it to Mr. Cusumano who was Italian when they had essentially been convicted of the same thing.

The Gaming Control Board, I think, aptly pointed out, however, that, in the first place, the work card that the other individual had received was a non-gaming work card. It was not for him to work in the casino per se; rather, it was for him to be a valet parker at a casino. Secondly, that person did not have the previous criminal history that Mr. Cusumano did, had not been listed in the Chicago Crime Commission's list of organized-crime associates. And telling to me, I think, was that the crime that Mr. Cusumano had been convicted of involved kickbacks to executives in the culinary union, having to do with life insurance for union members, which essentially was a defrauding of the union and corruption of the employees working in hotels. Under those circumstances, I at least felt that Mr. Cusumano was a worthy candidate, and I supported putting him into the "Black Book."

There were certainly interesting issues, but we didn't find any merit to the claim that there was selective persecution or that there was any kind of pernicious discrimination against Italians or anybody else. We had the testimony of the sentencing judge, who stated at the sentencing hearing that Mr. Cusumano and his colleagues and the confederates in that offense had allowed organized crime then to infiltrate the union that represented a huge number of casino employees, and they thought that somebody like that did pose a threat to the industry and to its reputation. Interestingly, Mr. Cusumano didn't fit a lot of the images of a criminal. He didn't look like a criminal. He was very handsome, well-dressed, well-spoken, moved affably in polite circles, was to a degree involved in the Las Vegas society scene. Nonetheless, the Commission unanimously believed that he did pose a threat to the industry, and I supported that conclusion.

Was it quite a lengthy hearing?

It went a whole day, until after midnight. It was a pretty lengthy hearing, yes. Lots of witnesses, lots of exhibits.

Did you have any personal confrontation with Mr. Goodman?

No, while he was a zealous advocate, Mr. Goodman was professional, and I think the hearing was

conducted professionally. At one point in the hearing—I believe it was somewhere around six o’clock—we were trying to do our scheduling for the completion of the hearing and when we should break for dinner, because we’d basically been in session all day long. And I indicated that my son was playing in a t-ball little league championship game that night at seven o’clock, and I had hoped that we could take our dinner break so that it coincided with the time of the game and I could go see my son play. And I think everybody thought that that made sense, and that’s what we did.

Yes. [laughter]

So I got to go see my boy play his championship game, and we came back sometime later in the evening and resumed, and we went until midnight or so when we finally completed it.

That was a long day. [laughter]

Yes.

You had a few of them, I guess.

Well, we used to have a lot of long days. While perhaps not the norm, it certainly wasn’t unheard of that our meetings would go until two in the morning or later. We’d start at nine in the morning and basically run through the day, sometimes two days in duration. I’ve had occasion since then to look at some of the transcripts of our hearings, and I can see that they regularly ran in the neighborhood of five hundred pages of testimony per meeting. So we had a lot of issues and a lot of work, and we worked pretty hard.

Did you notice that the longer you stayed on the Board the longer the hearings got? Were there more things that come up?

Yes and no. As my time on the Commission came towards its conclusion, I think our hearings became shorter, reflecting the fact that there was less activity in the industry. A lot of the difficult issues had been resolved. The whole thing with the expansion of gaming in the country had pretty much shaken out. Our regulations had been revised to better reflect current realities and current technology, and I think in general you see that trend has continued. There’s been a consolidation in the industry. There are more companies with big, multi-location kinds of operations and fewer of the “mom and pop” companies with a single operation, with a single operator, fewer of the colorful characters. So, in general, while for a time the meetings and the workload were pretty staggering, in my last couple of years on the Commission, I think the workload diminished, and I think that’s carried on to the present.

Are there any other individuals or incidents that transpired at “Black Book” hearings that you would like to comment on?

Well, the one I got the biggest kick out of was a guy named Frank Citro. Not that anything particularly unique happened in the hearing itself, but Mr. Citro did come to the hearing wearing a tuxedo.

[laughter]

And when asked about it by the press after the meeting—they asked why he had worn the tuxedo to the hearing—he said, “Well, I’ve never been nominated for anything before, and I thought I should dress up for the occasion.”

[laughter] *That is funny.*

[laughter]

So he got nominated and put in, right?

Yes. Probably one that was most painful involved the former Gaming Control Board agent, Ron Harris, who had gone to Atlantic City, used some of the information that he’d received as an employee in the Control Board, and gone there and improperly taken advantage of it, which led to his conviction and his entry into the “Black Book.” That was a tremendous black eye for the state and for the regulatory effort and a real disappointment to see somebody who had a lot of advantages in life going for him who had misused his position and brought disrepute to the whole regulatory effort.

Would you expand a little bit on how he cheated the state and the casinos? Was it slot machines or twenty-one tables or . . . ?

He was able to utilize the confidential information about source codes to predict sequencing of numbers on games like keno, and went with his computer to Atlantic City and with that source code information was able to make predictions. Had he won only small jackpots he may never have been caught. He had the misfortune, however, of winning a large jackpot, which put him in the position where there would have been suspicion if he had not claimed the large jackpot, and suspicion when he did claim the large jackpot. *[laughter]*

[laughter]

It really revealed not only a betrayal by a regulatory insider, but it also revealed some deficiencies in the idea of random number generators that presumably had made the games random, when in fact, there was some pattern of predictability. Not a huge one-for-one kind of predictability, but nonetheless still a measure of predictability that gave him a tremendous advantage in playing the game. So it required the Board not only to increase its own internal controls to better protect the industry from Control Board employees who are willing to compromise their positions, but also required some technological changes so that you could deal with this predictability issue.

So there’s this little bit of good news there that it did cause the industry to perfect their machines, their slot machines, even a little bit more?

Well, I guess you can find that silver lining in what was otherwise a pretty unfortunate situation, but . . .

It was a dark day for the situation.

It was a terribly dark day.

And it got such nationwide publicity besides.

Well, and it did have the consequence, however, of getting everybody to redouble their vigilance and to reconsider their systems so that there were internal controls that would reduce the possibility that the employees could compromise the system. And it so happened in that case it was an employee in the Control Board. It could also have been an employee of the operator of the machines who had gotten the source codes, either who had written the source codes or for some reason had gotten access to them in the course of his employment. And so there was that positive, but it was a very painful motivator to those changes.

So he was entered on the List of Excluded Persons. Did he serve jail time besides?

Yes, I believe he did.

Were you or your family ever threatened by anyone while you were on the Commission?

No, not really. There were times when there were threats to people at the Control Board. There were times when we were concerned that our telephones were bugged, and I believe there was solid belief that some of the Control Board members' phones were bugged by criminal elements. I do know the Board came out with their electronics team and swept my office on a couple of occasions for bugs. And I do know that members of the Control Board did live with some threats, and I know that there were some bad people. I know there was one instance when an informant to the Control Board on a slot machine gaffing investigation survived one assassination attempt, but not the second.

Do you recall his name?

His name was Larry Volk and it was quite celebrated in the press. It had to do with the American Coin investigation. It resulted in a prosecution, but not a conviction. I think they had insufficient evidence of the perpetrators.

In 1991, a property called The Sport of Kings applied for licensing. They were offering a method of betting on sporting events unique to the state of Nevada. Would you tell us what was unique about their operation?

Well, I'm not sure anything was *really* unique about their operation. It was purported to be unique. It was purported to be a better mousetrap that would allow customers to bet on either fixed odds relating to a particular event or track odds, *and* was going to be heavily focused on a lot of exotic bets, not just quinellas or exactas, but combinations of things like combinations of quinellas and exactas and other kinds of proposition bets that would have a lot of moving parts, but would allow the payment of very big

jackpots to successful bettors. It was proposed that an English mathematician, who was described as an actuary, was going to be the central brain of this whole operation. It was represented that his work in London had yielded about a 23 percent hold on the bets placed there where, according to the most recent Nevada Gaming abstract, it was less than 15 percent hold on the betting in Nevada.

Another thing that was represented as being unique was that while most casinos, it was said, treat sports and race betting as auxiliaries rather than the main business, at The Sport of Kings race and sports betting was going to be the main business. They were going to have a number of amenities to appeal to customers. They were going to have a video library of past races. It could be pulled out and reviewed by players. They were going to have a complete library on the breeding histories of all horses. They were going to conduct seminars and so forth. They said they were going to have a convenient location where you could pull your car in and park with the valet, place your bet, be in and out in just a matter of minutes rather than the more cumbersome process of going into a major hotel and working your way to the sports betting. And they thought that because they had a grandfathered situation where they can have a non-restricted license and be exempt from the two hundred-room requirement that was imposed on any new casinos in Clark County, that they would have a great advantage that they could be very focused and they predicted they were going to have performance that was way ahead of the traditional Nevada figures.

The Gaming Control Board didn't accept those projections, and they, in fact, thought that they were going to be less profitable rather than more profitable than the industry average, and that led the Commission to impose some cash reserve requirement for the protection of players, vendors, and employees, so that in case the thinly-capitalized and somewhat speculative venture did not succeed, it would be the investors who'd bear the loss, not the vendors or employees or customers. There had been a separate issue with some of the original organizers of the proposal and some of their activities in these off-shore trusts. And I believe Malta and Gibraltar trusts where financial records were not accessible. Under the laws of those jurisdictions, financial records could not be disclosed. It was made a crime even for the owner of it to disclose it, and that was offered as a reason why those records did not have to be provided for review by our regulators. And that didn't go too far with us, and the original investors had to step aside before it was finally approved.

Who were the majority owners?

Well, originally, it was the Forsyth brothers from London.

James and Stephen Forsyth?

Yes. So they did have a number of experienced Nevada operators and a former regulator [Dennis Amerine]. But in the end, for a variety of reasons, it proved not to be successful. They had a beautiful facility. They had an interesting and novel business plan, and I think the Commission's feeling was that we weren't there to impede development of novel approaches—in fact, we should welcome and encourage innovation, even if our own projections were not as rosy as the applicant's projections—but that we did have a statutory duty to protect customers, employees, and vendors and that we had to place this cash reserve for the benefit of those people, and we did that. It was a good idea. It was an innovation. It had some potential, but at the end of the day it did not really succeed. It did not meet its rosy expectations, and ultimately it closed.

And the Forsyth brothers themselves never got licensed?

They never got licensed. Another part of their proposal was that they were going to greatly grow the market, because sports betting in Nevada—even in Nevada—is still a small percentage per capita as compared with London and some other jurisdictions. And they thought that with their innovations they were going to greatly grow the market, and that even if they only captured a small percentage of the growth, they were going to be successful. But I think in this case, at least, the better mousetrap didn't succeed, and there was some vindication for the old timers who never did quite believe that some mathematician from London was going to come in and revolutionize their whole industry. [laughter]

Well, during those hearings—they lasted for several months off and on—there were a few differences between the Board and the Commission. How important do you feel it is that the Commission and the Board work together and do not disagree, at least in public?

I don't think that's terribly important. I think it is important that they respect each other's efforts and try to be considerate of each other's somewhat different roles and perspectives. But I think there are different kinds of people who are typically appointed to the Board than those who are typically appointed to the Commission. The members of the two bodies have different kinds of roles, different perspectives, different experiences and personal histories, and I think that the system is set up to reflect that. Gaming regulators are given just about as absolute and unchecked a power as you would ever find in government, and it's important that there be checks and balances in the system, because, as they say, absolute power corrupts absolutely. I always felt that while we did owe a duty to each other and to the system, that we treat each other respectfully and discretely, that simple blind agreement was not in the interest of the system—it was not in the interest of the industry or the state—and that it was a strength of the system that we had different kinds of people who would come at the same problems from different angles and have better decision-making as a result. Control Board members are typically people who have had public employment histories, particularly law enforcement, but not people who have ever had to meet a payroll, people who have ever had to make business decisions in the quick of the moment with less-than-perfect information. People who are on the Commission were people who didn't come from the gaming industry, but had been involved in business and did understand how business operates, what business needs to operate, and the importance of predictability, and understand that decision-making sometimes has to be made on less-than-perfect information.

I think the Control Board has always been the cops of the regulatory system. Their duty and role and performance has been to see to it that every "i" has been dotted and every "t" has been crossed, and that people have followed the rules down to the last degree. The Commission's function, I think, has historically been to give that perspective full recognition, but to bring a little more in terms of focusing on the big picture, on the real things that have to be focused on: what's the wheat, what's the chaff? Is the fact that somebody's decisions don't look good under Monday morning quarter-backing kind of perspective, is that reflective of the fact that they are unsuitable, or is it reflective of the simple business realities?

Some have said the Board's role is to administer justice, and the Commission's role is to administer mercy. I have never seen it in quite as simple of terms as that, but I do think that there is some insight from that statement that the Commission really wants to focus on the big issues, on the things that are important, whether it's assessing an individual's suitability or character or business probity, or

whether it's the big, long-term needs of the industry. Sometimes the Commission works on very big policy issues, adopting regulations, deciding what the rules should be to allow Nevada licensees to expand into new jurisdictions and how they can finance their operations and so forth. But sometimes they really focus on the bottom end of issues in the industry as well, and I always took that as being one of our most important duties, such as simple work card appeals. For somebody who has to support themselves and their family in the best way they can in a state where they may have grown up and where they hit some kind of a problem in their life, can you entrust them to hold a low-level job in the gaming industry? Whatever their mistake was that caused the Board to question their ability to even work as a bartender or a change person or a slot mechanic, is the interest of the state and the integrity of the industry jeopardized if in these low-level positions people who aren't perfect are allowed to hold jobs?

We spent an enormous amount of time trying to do what we thought was the right thing by way of individuals. We didn't see our job as imposing more punishment on people who had done something wrong. That punishment came in a different venue—it came in the courts. Our job was to determine could those people function in a trustworthy and reliable and responsible way in their limited positions. And if they could, we tried to give them the ability to do so. If they'd done things that just couldn't be overlooked, we simply had to take a hard line and say, "If you've ever cheated a customer, if you've ever cheated the house, if you've ever done something that compromised the integrity of the games or of the gaming industry, then it's one strike and you're out. If what you've done, on the other hand, are things in other contexts, even things that we thought of as really bad things . . ." You know, the fact that somebody had been in a bar fight, the fact that somebody had done various anti-social things, if it didn't relate to their performance in the workplace, at least my personal philosophical reason was there has to be a reason why they can't be given that trust. And if we couldn't find that, let's give them the shot. Let's let them at least have a job. If you take away somebody's ability to work, you've taken away an awful lot of their dignity and an awful lot of their ability to be a productive citizen.

That's right.

So that's one of the things that made the Commission so interesting, was sometimes we'd deal with these mega-issues where we'd have fifty or a hundred gray-suited attorneys and accountants and industry moguls helping us analyze these big issues, and sometimes we dealt with things where really nobody much cared except the individual involved, and we had to try to do the right thing in all those different kinds of settings. So it was really a very interesting job. [laughter]

[laughter] Yes. Did you feel that the Commission and Board worked together? You had a good rapport when you were on the Commission?

Yes, I think we had a good rapport. There were always issues. We didn't always see things eye-to-eye. [long pause] I remember a case where there was a tax dispute about whether the gaming entertainment tax should be imposed on a small casino in Beatty, because on a Saturday night some gaming agents had come in and discovered that some of the patrons had pushed some of the tables and chairs aside and they were dancing to the jukebox. And as a result, the Board felt that the casino entertainment tax should be imposed on everything that was done in that room and it turned out to be a very large amount of money in relation to the size of the casino. And the Commission felt that that was not what the legislature had in mind, and that trying to impose a tax because some customers had

spontaneously broken out in dance on a Saturday night in a small town casino coffee shop [laughter] didn't really make sense. And a number of years later, I can remember I met somebody at a cocktail party who introduced herself to me and told me that she worked in the audit division of the Gaming Control Board and said, "Do you mind if I speak very bluntly to you?"

And I said, "No. Sure. How are we doing? Tell me; I'm interested. What do you think? How's everything going?"

And she said, "Well, everybody has respect for the Commission, and we think that you're a good guy, but I want you to know how deeply that hurt us that we had done all the work to work up that tax assessment to raise the revenue for the state, and that you didn't uphold our position. That really undermined our authority, and it really was like a personal blow to a lot of us who had worked on this. And I've never said anything, but you asked how things were and so I'm telling you."

[laughter]

[laughter] And, you know, I took from that that the Commission has its job to do, and it can't worry about whether it disappoints the expectations of people in private industry or people who work in government. But there is importance to always trying to respect people's dignity and the legitimacy of their efforts and simply recognizing that people who work in good faith can disagree. And there was never any insinuation that the people at the Board had tried to do something that was wrong or punitive or anything else. They had simply tried to do their job, and the Commission didn't see eye-to-eye with their perspective. I didn't think at the time that we were in any way disrespecting the Board's efforts [laughter], but clearly, it had been taken that way.

Now, these were fairly low-level employees there in the Control Board. But when you have this very unchecked power, seeing to it that you exercise it with restraint and respect for the people whose lives are going to be touched by your decision is really a colossal responsibility. And one of the things that I felt best about during my time on the Commission was I got to serve with the really extraordinary people who understood that and who did try to act with restraint and good judgment and respect for the process of the system and respect for the people who became involved in the system. And during the time I was there, the culture of the Commission was one that I felt good about. I continue to feel proud that we functioned well.

It goes without saying we often disagreed with the Board's take on things, but we did always try to be respectful of their opinion and recommendations. We also tried to not let personal affection or respect for our colleagues at the board level interfere with our ability to do what we thought was the right thing to do under the circumstances. Sometimes there would be raw spots, I suppose, but they generally healed pretty quickly, because the press of business did require us to work together. [laughter] I think everybody had mutual respect, even when you had strongly-held feelings about a certain subject, that you should respect that others may not agree with you. That was an important system value and one that we tried to maintain. So I guess I'd say that if there was tension within the Board, between the Board and the Commission, it generally was not personal in nature. It generally did not impede our ability to work together, but it did strengthen the system, improve the decision-making, and provide some checks and balances that helped negate the possibility of abuse.

You served as chairman of the Gaming Commission for a record eight years. Would you tell us your reasons for remaining in that position for so many years?

Well, I guess because I loved the job. I thought it was important work, I thought it was interesting, I thought it was a great privilege that I got to serve during the most dynamic period in the history of gaming in Nevada. If you look at the Las Vegas Strip before I started and how it evolved during the time of my service, we became a different city. The state became a different state, between the technological changes in gaming devices and the expansion of gaming. When I started, there was legal casino gaming in only Nevada and Atlantic City. When I left, I believe twenty-six or twenty-seven or twenty-eight states had legalized casino gaming. I had the privilege of serving during a very interesting, dynamic, and important time. And it was a thrill a minute. It was a very time-consuming, very difficult, very intellectually-challenging job, but still a great job.

During your time as chairman, four of your fellow commissioners: Bob Lewis, Debbie Griffin, Bill Urga, and Augie Gurrola worked together for almost seven years. Did it make everyone's job easier to know each other so well?

Yes, I think it did. We all had great respect for each other individually, and we all, I believe, felt that disagreement was healthy and added to the quality of our decision-making, and we could fight out our positions and express our views and try to persuade each other on issues. And while most matters are somewhat routine, on the issues that weren't routine we didn't always agree, but I do think we always reached good decisions from our group decision-making skills that developed during that time. Now, I balance that with the fact that I do think new blood strengthens a body, also. Ultimately, when I decided to leave the Commission, the job was still interesting and exciting to me, but I really did feel for the sake of the Commission that new blood and new leadership would be important, and that for me personally it was really time to move on to other things as well. At some point in government, you can get into a rut of doing things the same way.

Even though we were together for that long, I don't think we fell into that rut, I think in part because it was such a period [laughter] of dynamic change that we had something new every month. We had something challenging. We had something that we had to work on together. We couldn't just do it in the public meetings. We had to try to educate ourselves. We had to try to keep abreast of changes in technology, changes in the financial markets, changes in the forms of doing business. I think the fact that there was that stability in membership did make it easier to try to meet a lot of those challenges. I think it takes commissioners some period of time before they really *get* everything and become fully productive. But new blood does strengthen the Commission. I know that Governor Miller's orientation was that there should be change on important bodies like this, but I think he recognized that with the dynamic environment in the gaming industry, at least for a while it was important to have some stability and some experience in trying to deal with all these new issues.

Yes, because it was such an important time that it was good to have that experience altogether. Did you maintain a private law practice while you were on the Commission?

Yes. I had been in the district attorney's office. I'd been county counsel before I was appointed. I had to leave that. I then started my own practice. Certainly here in southern Nevada where gaming is so widespread, it meant I had a tremendous [laughter] potential conflict and had to be very circumspect, not only what kind of clients I could have, but even what kinds of industries I could be involved in

representing. Realistically I had to start out as a sole practitioner, because any firm I would try to join would have lost a significant amount of business with the conflicts I came with. And I always had the anxiety that if somebody was going to try to make me look bad, they might do it by coming to me as a client, trying to get me to represent them in something and making it look like I was representing somebody who was a unsuitable kind of person. And I had to be really very circumspect when clients came to me to try to find out as much as I could to be sure that I didn't get into something unknowingly. The days of threatening people weren't really relevant during my time, but I did have anxiety that somebody could try to compromise me by involving me through my law practice somehow in something that ultimately would look bad, so I had to be *very* conservative in what I could get into and who I could represent. But in the end it seems to have worked out. So, yes, I had a private law practice. I certainly couldn't support myself or my family on my Gaming Commission salary.

Well, it's considered a part-time job, theoretically, isn't the Gaming Commission?

Yes, it is, and I think it should be a part-time job. I think it would be a mistake to make it a full-time job. I think that it's the strength of the system that you have private citizens who make the final decisions, who are not bought into any one position and who can really weigh things in the long-term interest of the state. So, yes, having a "day job" is tough when you've got a "night job" that not only is very demanding in terms of its time requirements, but also demanding in the sense that you have to be like Caesar's wife if you're going to be somebody who judges others.

Yes. Well, we touched briefly on this a few minutes ago, but during your time on the Commission, several major hotel-casinos were licensed to operate in Las Vegas. How big a role did the opening of these mega-resorts play in the history of Las Vegas?

The first big, new casino that opened after I was appointed to the Commission was the Mirage, and you could almost draw a line at that point and say that that was the beginning of the new era in gaming in Nevada. The size, the scope, the luxury, the sophistication, the growth in the industry, the new financial sources and business structures . . . the physical environment and the business environment changed *rapidly* at that point, and I just had the great fortune to have been there during that time. I don't claim any credit for what happened, although I do think it was beneficial that we had a predictable business environment that was stable and that was attractive to investment and to investors. I think it was a time of strong economy nationally, and a lot of things just came together, and I just happened to be there at that time.

Under your leadership the Commission was oftentimes concerned with multi-million-dollar financial transactions: public offerings, mergers, bond issues, et cetera. Did the Commission sometimes become more concerned with the financing of the mega-resorts than with the individuals involved in the operation?

Yes. As the industry became more corporate and as people with accounting and MBA kinds of backgrounds tended to become the heads of the new gaming enterprises, there were a lot less colorful characters who had storied pasts that may have been great legends for storytelling [laughter] but were maybe not too suitable as leaders in an industry that was trying to establish and maintain its credibility

and integrity.

In a way, I guess it was easier to check the finances of these public corporations.

Well, to me, the move was not to the backgrounds of the individuals, because more and more of the individuals were people who had gone to Ivy League schools and had professional degrees and highly successful careers. Instead, it came to structural concerns and financing concerns. Although legally trained, I wasn't really a tax lawyer or a corporate attorney, nor were my colleagues, and we really were put through our paces every month, because we had to understand each month as well as the people who would work sometimes months, if not years, on putting together these transactions. If it took twenty gray-suited lawyers and accountants to present what the transaction was in our hearing, we knew right away we were in trouble. [laughter]

And we didn't have any budget for training, we didn't have any budget for travel, we didn't have any staff resources that could educate us or train us. We knew that we had to get educational help from experts and that we had to do it both at low cost to the state because we didn't have a budget, but we also had to do it without the conflict. It would have been easy to go to IGT or somebody like that and say, "Explain to us your new technology and why this is good." But if we were going to make independent judgments, we had to be able to understand what their technological changes were. We had to be able to make our own judgments on that, and these were *very* difficult challenges. We've prevailed on lots of faculty members at UNLV and UNR to help us. We had a lot of sessions where we went in and took apart computers and we tried to learn what each piece was, how each piece worked, what the issues were with regard to both hardware and software and how they meshed with one another, and then try to understand what all these engineers had been working on [laughter] with all these new intellectual property issues.

We had to meet with investment bankers and conventional bankers and lenders to try to understand and be educated on new forms of financing. As the role of pension funds and mutual funds became more and more important in the economy, we had to rethink our rules on at what point what percentage of ownership licensees or people were required to come in for licensure. Did it make any difference if people were entirely passive investors? If a mutual fund agreed not to exercise any votes on leadership or to exercise any influence over the control and management of a company and to remain entirely passive, did that mean we could allow them to have greater ownership without having to come in for licensure? What do we do about junk bonds? These were tough things, and we were all generalists; none of us were specialists in this.

Yes.

And you couldn't pick up your reading the night before the hearing and think you were going to get prepared. We had to work pretty extensively between meetings, trying to identify what are the issues we need to be educated on and find a respectable way to get that education so that we could at least be in the ball game and be in the discussion on all these important issues. And whether we succeeded . . . I suppose we could have done better, but we at least made the effort, and I think we did do the best we could.

Let's talk for a while about how in the mid-1990s the focus of gaming regulators seemed to be changing toward social issues, such as problem gambling, slot machine themes, and neighborhood casinos. In June

of 1996, the Twin City Surplus store in Reno applied for a license to operate machines in the business.

Yes.

The Gaming Control Board recommended approval, but the Commission voted for denial. Would you tell us why the Commission voted to deny?

Well, I think we defined the issue as involving how far into the everyday lives of our citizens gaming should extend, and should there be any limits. The Twin City Surplus was not really the first time we had grappled with that issue; it was part of a series of discussions. We had had inquiries from everything from psychic arts studios to physicians who had been interested in putting slot machines in their waiting rooms to occupy their patients who tended to be unhappy while they were waiting to get in. [laughter]

[laughter]

And we thought that certainly gaming has been good for the state. Certainly the benefits of it should be not just lodged with the big corporations, and that “Ma and Pop” Nevada should have a chance to share in the benefit of it as well, but that that should be balanced somehow with not just having a free-for-all where you could have slot machines absolutely everywhere. And had we been starting from scratch, we may have come up with much different kinds of solutions. But we had history, we had certain traditional kinds of locations—taverns, for example, had always had slot machines, as did grocery stores, drugstores, convenience stores. At one point, donut shops were included, car washes. There was even one car dealership that had a slot machine on its sales floor. And we could also see that a lot of businesses were sort of morphing in that we were distorting the whole economy. As an example, a gas station, if it had a garage and provided mechanical services, that did not qualify for slot machines, but if they took out the garage, stopped changing oil and fixing flat tires, and put in beer and pop and cigarettes and bread, then it was a convenience store and it could get slot machines.

And we really grappled with how do you draw a line that has some principal basis that gives some respect to history and the existing business environment that sees to it the machines are only in places that are susceptible to appropriate supervision? And ultimately, just as we had turned down the psychic arts store, just as we had turned down the idea of putting slot machine arcades in the public space of shopping malls, which was another application that we had denied, we decided it was inappropriate to put slot machines in the Twin City Surplus, even though everybody loved the store, and loved the operators. It was an old-time Nevada family that was very hands-on in the operation, it was very unique and had an awful lot of positives. Although one commissioner said, “I go in there all the time, and I’m not sure I could ever find the slot machines, the way things get stacked on top of each other.” [laughter]

Yes. Well, was one of the problems that there weren’t any specific guidelines for where a machine could go?

That was one of the problems: we didn’t have proper guidelines. We really grappled with that issue. It took years, and we finally came up with what I think was a principled way to deal with it. We primarily recognized the existing historical categories—taverns, convenience stores, drugstores,

supermarkets—and allowed for a case-by-case consideration of unique kinds of places that hadn't been considered, but for reasons that could be brought forward would justify it in those circumstances. But I think since that regulation was adopted, it's pretty much checked the expansion into new business forms and hit a reasonable balance.

Was the establishing of the guidelines and regulations regarding licensing locations one of the proudest moments of your commission tenure?

Well, I don't know if I'd go quite that far, but I am proud of the fact that we finally came up with what I thought was principled. You know, we had a lot of testimony from people who were involved with problem gambling. They told us that a tremendous number of problem gamblers frequented these restricted locations and that problem gamblers were as often found in the grocery stores as in major casinos, and that it was one thing to keep yourself from going into a casino; it was something else when every place you went, everything you did was a gambling opportunity.

And we didn't feel we could, or should, undo history, but we did think that whether it was because of existing problem gamblers, or whether it was because of the vulnerability of children and others who go to supermarkets and convenience stores and are there watching people gamble all the time, we just thought that for a variety of reasons it was best to impose standards that were written and that people could read and understand and plan around, so that they didn't come to the end of a process where they'd built the new store and done everything and their business plan was all predicated on getting the gaming revenue, only to find out that somebody pulled the rug out from under them at the last minute. We thought far better that we try to have a written standard that people can read and understand and plan around. And it was very difficult because there were a lot of competing interests. We had hundreds of people come to our hearings. A lot of people had very strong financial interests. Others had very strong personal interests, and we had to try to sort it all out. And I think we finally succeeded, but it was tough.

There were a lot of problem gamblers during your tenure. What did the Commission do to help fight this problem besides all these things you've listed? By keeping slots out of a lot of these locations you helped the problem gamblers. Were there any regulations or anything?

Well, how meaningful they really were I suppose you can argue about, but nonetheless, you have to start somewhere, and where we started was with the rules that required casinos to post 800 numbers for help lines where people could go for help if they felt they had a gaming problem, or if somebody in their family or somebody they were close with had a compulsive gaming problem, they could be put in touch with people who could help address that problem. We worked with the casinos in encouraging them to have compulsive gaming training for their employees so that they could identify and address the problem. I think we made it clear that we would consider it an unsuitable method of operation that could jeopardize somebody's license if they tried to exploit somebody's vulnerabilities.

Were these guidelines or strict regulations?

Well, it was a combination. Some of these things—indicating what is an unsuitable method of operation in terms of not intervening in the case of a compulsive gambler or a person who is involved in self-destructive behavior—are very hard to quantify and to state in words. I think it was more in the way

of focusing public discussion. I think the point was made to everybody in the industry—and I think the industry really took some of the leadership itself in doing research into the nature of the problem, the extent of the problem, the sensible methods for dealing with the problem—and I guess you could say there was a bit of a public-private partnership in trying to address this, but it's a very difficult issue to get your arms around about how do you deal with a problem like this. It's one thing in a jurisdiction that only has one casino where somebody can exclude themselves and you can say, "Don't let old So-and-So even come in the door." Here, where you've got thousands, if not tens of thousands, of customers a day in a single property, and dozens of different properties, it's very difficult to try to deal with it in a systematic way that hits individuals. You have to try to hit the problem at a bigger level, and I see that as a challenge that a lot has been accomplished on, but probably one that will continue to require research and attention from the industry and regulators alike to try to see to it that people can enjoy the entertainment value and all the other positives that come from gaming while minimizing those who lose, because people who become compulsive gamblers really can lose everything—not just their fortunes, but their self-respect and their dignity. So it's a tough problem and one everybody that has to remain alert to and continue to try to deal with.

Another thing that came up during your time on the Commission was the question of slot machine themes that were attractive to minors. How did the Commission handle that situation?

Well, actually, that came up just as I was leaving. How they actually dealt with it was by trying to require that themes not be attractive to underage gamblers. If it was a Dagwood and Blondie theme, that appealed to people who were twenty-one and well above that, but if it was something much more contemporary that had an appeal to young people, then that should be taken into account and those machines should not be approved. Most of that was resolved after I left, though.

During your time on the Commission gambling greatly expanded throughout the United States and the world. We touched on that briefly before. Were the Nevada regulations respected and oftentimes duplicated in other gaming venues?

Well, actually, Nevada's regulatory system became the model, both nationally and internationally. Even New Jersey's system, which became sort of the alternative model, still was in large measure itself based on the Nevada model. But a very big part of my job consisted of meeting with elected officials, law enforcement officials, tourism officials, and regulatory officials from other jurisdictions who came to Nevada to try to determine how they were going to structure the gaming industry that they had decided they were going to introduce into their jurisdictions. Now, I took the position that I was not going to be a cheerleader for expansion into other jurisdictions. I wouldn't go testify before legislatures on what great economic benefits gaming had provided to Nevada and could provide to other states as well. But on the other hand, if the decision had already been made that they were going to introduce gaming, and that now they were just talking about how they were going to do it, then I thought it was very much in Nevada's interest that if we're going to have competition out of state, it should be from competitors who themselves have effective regulatory systems, because we could all lose and Nevada would have the most to lose if gaming got a black eye anywhere because it wasn't regulated in an effective way.

So I would see an enormous number of people here, delegations from big and small countries all

around the world, from jurisdictions all over the U.S., and periodically I would even go and either speak at seminars that a lot of other jurisdictions would attend, or sometimes go and work directly with government officials. Just to give an example, when Michigan approved gaming in Detroit, I went back and spent several days working with their new commission trying to identify issues and work through how we deal with issues and sensitizing them to things we thought were important. I did that kind of thing a lot. I also lectured quite a bit at gaming industry conferences. I ultimately became an organizer and the first chairman of the International Association of Gaming Regulators, which was a group of people like myself who regulated gaming in various jurisdictions, and we thought it was important that just as the businesses who did business in different jurisdictions were in touch with each other about what they were doing in the different jurisdictions, that we needed to be in touch with each other, and that we needed to learn from their experiences, good and bad, and be sensitive to issues that arose in other jurisdictions, because we could foresee that they might arise in ours sometime thereafter. [laughter] So I'd say I was pretty much out there.

In January of 1997 the Commission passed a revised regulation 6a. That revised regulation is said to be of utmost importance to the state of Nevada. First, would you tell us what area regulation 6 addresses and tell us the importance of the revised regulation 6a?

Well, regulation 6a actually came about in 1985 after the secretary of the treasury granted an exemption to Nevada from treasury rules under Title 31 and allowed Nevada to set up its own currency transaction reporting law. Industry leaders and our elected officials, I think, correctly foresaw that at a time when there were only two states with gaming, that having this important function run out of Washington, D.C., by people who didn't understand gaming and perhaps didn't approve of it, it could really be used as a weapon to harm the industry, and that it would be far better that a system be set up under state law that would track the requirements of Title 31 and report on currency transactions, but that it would be done at the state level. And I think after 1985 the Nevada experience was *very* successful. A primary purpose of this from the Treasury was to prevent money laundering, I suppose primarily from drugs, but potentially other sources. And from 1985 in its inception through 1997, there had been some technical violations that had led to imposition of substantial fines, but they were paperwork kind of violations, and there had never been any evidence of actual money laundering.

So I think the regulation worked quite well and was very much in the interest of the state, but as time went on, the Department of Treasury's interest in currency transactions expanded beyond money laundering to other suspicious kinds of activities, and what we tried to do was to revise regulation 6a to match the changes in the federal regulations and to provide suspicious-activity reporting to deal with some difficult issues, like multiple transactions or the aggregation of dissimilar transactions, to eliminate some ways that people could conceivably get around the existing regulations. But in my eyes, it was simply trying to stay current with federal regulations so that we could continue to regulate ourselves rather than run the risk of Washington, D.C. thinking they could do a better job. And I think we were successful in convincing the federal government that we had done a good job, and that we would continue to do a good job. I think the regulation has been successful. There have continued to be some technical problems—paperwork problems, human failure kinds of problems, and problems relating to proper reporting—but I think that there hasn't been the money laundering or other nefarious activities that the regulation was aimed at reducing. So I think it's been successful.

Are there some states or some areas that are controlled by the federal government?

Everywhere else. Nevada's unique.

Nevada's the only one that is not?

Nevada's the only one.

As an individual who has had hundreds of attorneys appeared before him over the years, what would be your advice to an attorney appearing before either the Board or the Commission for the first time?

I'd say be realistic, be well-informed, know what the issues are that have to be addressed and what it is you're trying to accomplish. At all costs don't misrepresent or exaggerate or try to put things into a false light. Recognize that gaming is different from anything else. It's a privileged activity. A gaming license is a privileged license. Nobody has a right to do it. This is going to be an area of very strict regulation, and you should come to the process with an understanding of that. Now all that being said, that doesn't mean that nobody has any rights, that nobody [laughter] has any entitlement to argue for their position. People should feel free to argue for their position, but they should do it in a way that's realistic and responsible and informed, and lastly, I'd say don't be intimidated. Good lawyers show their skills in lots of different environments, and this is just one more different kind of environment where you can show your good training and capability.

What are your thoughts on the legalization of internet gambling?

I'm still sort of a skeptic. First, I suppose, I don't see any great benefit to the state of Nevada from internet gaming. Second, I see Nevada as being the state that has maybe the most to lose if something unfortunate happens in the realm of gaming and if gaming should fall into disrespect and become subject to federal or other type of intervention to limit it. So I think Nevada has the greatest interest in seeing to it that effective regulation is made a part of any system of gaming anywhere. I suppose that time marches on and innovations continue, and it's possible that technological and other innovations can come forward that will address the regulatory concerns and internet gaming may grow and become accepted in the future, but I think there's a lot of hurdles that would have to be overcome. And then I think that for most people the fun of gaming is the social aspect of it. Sitting at a computer terminal by yourself, to me, doesn't really hold the promise of the fun that you get in the casino environment, but that's a business challenge, not a regulatory challenge, I guess.

How healthy do you feel the Nevada gaming industry is currently?

I think Nevada's gaming industry is *very* healthy. I don't think it's ever been healthier than it is right now. It certainly has challenges with the competition from Indian casinos and other forms of gaming, lotteries and other things, but that's life. Life is competition, life is change, life is reacting to new environments, and I think Nevada's gaming industry has risen to these challenges before, and I guess I'm bullish. I think things are moving forward for the industry as a whole. I think there are some segments that are very challenged. And there probably will be some shake-out in the industry, but as a whole, I

think that it'll continue to grow and continue to become more sophisticated and more professional.

Well, historically there have always been shake-outs, I guess, in any industry and in gaming. I can remember years ago people said, "Las Vegas is overbuilt with hotel rooms," [laughter] and they've built tens of thousands since then.

Yes.

Bill, there's an organization called the Nevada Gaming Institute that you were quite involved with and still are involved with. Could you give us a little background on that, when it was formed and who were some of the charter members, things of that nature?

About the time I became chairman of the Commission in 1991, some of my colleagues from the United Kingdom and the Netherlands and other places and I felt that one thing that the gaming industry was lacking was an academic resource, a center of learning and a center called a "think tank" for people in the gaming industry, both operators and regulators, and that it would be very much to the benefit of all if something like that could be established. We also felt that the most fitting and probably most doable place for that to happen would be in Las Vegas, since this was really the center of gaming in the world. I thought that as the world of gaming changed, and it was clear that there was going to be an enormous expansion of gaming, I thought it was very much in the interest of Nevada to have an academic anchor here in the state that people in the gaming industry could look to for training and research, the development of issues, and a forum for discussion for people at all different levels in the industry. So I began working with the people here in Las Vegas to see if we could create something like that here. We looked at models, everything from high-tech industry kinds of think tanks that were being created at Stanford and other places. That became one of our models. The Petroleum Institute was a different kind of a model and a different kind of a context, but we eventually began working with the then-president of UNLV to see if there would be interest and how we would go about forming such an institute. The president then was very concerned that he didn't want to have a dealer's school on campus, but that if we were talking about something at a higher level, that could be attractive.

I began working with a number of attorneys—Bob Faiss, Frank Schreck, Tony Cabot, Grant Sawyer—in trying to work on the proposal, and polish exactly what it was that we needed. Frankly, a big boost came to our efforts when it was uncovered that some people in New Jersey had become aware of our efforts and that they were trying to steal our idea and get the institute set up in a New Jersey university. But really, when we got Grant Sawyer involved, he was able to utilize his credibility not only with the gaming industry leaders, but with the community leaders and the president of the university and the Board of Regents, to convince them that this was something that could have value and that really could happen. Well, to cut to the end of the story, I think it was 1995 when we went from talking about it to groundbreaking for the large building on the UNLV campus that now houses the International Gaming Institute.

What's the name of that building?

I believe it's the Stanley Fulton building. He's the one who donated roughly five million dollars to build the building. And now, the institute, under the leadership of a couple of deans of the hotel school,

a couple of presidents of the university, and some outstanding leaders in the gaming industry, such as Shannon Bybee, has been established as a worldwide leader in research, training, and scholarship. It has a huge library of gaming materials. It has a casino floor that has all the table games and the latest slot machines where students can study operational issues. It has a large kitchen and banquet facilities where people can learn about back-of-the-house kinds of operations. It has facilities for meetings for top-level people in the industry to get together and address important current issues on neutral ground. And while I am not sure that the institute has reached its full potential yet, I think it has trained literally thousands of regulators from all over the world. It has outreach, it does research for industry, it does training for industry, and I'm proud of my role. I think it has a great potential to continue to benefit the gaming industry and the state.

And it sounds like it will have a long-time lasting impact on the industry.

Well, I think that this will help anchor Nevada as the capital of gaming worldwide.

And you say that you're having a luncheon in a short time with some institute people?

Yes, I'm actually having a meeting with Dean Stewart Mann here in the next few days to continue to talk about new leadership for the institute after the unfortunate passing of Shannon Bybee and to reinvigorate its growth for what it can continue to do for the university, for the industry, and for the state.

Is there actually anyone that's a head of it now?

Well, Stewart Mann, the dean of the hotel school, is still the man in charge, but they're currently advertising for a new director of the institute itself.

There were a lot of important things that happened during your tenure, and I was wondering if you could narrow it down to maybe one thing that happened while you were there, or one thing that you instituted.

I have a hard time saying what one thing I'm most proud of, but one thing that does come to mind is the fact that we eventually succeeded in creating a written index to our gaming statutes and regulations that was cross-referenced. I think that became a tremendous research tool for people who wanted to know what exactly the rules and regulations of gaming were in Nevada, short of reading the hundreds of pages. It may sound like something that should have been done fifty years ago, and maybe it should have been. Working with the attorney general's office and with Mark Lerner, a private attorney, who devoted a tremendous amount of time to the project, along with Mike Wilson in the attorney general's office, they came up with something that I think is of tremendous value to operators, attorneys, academicians—something that simply helps people find what's in those regulations and demystifies what's there so that real people who haven't devoted their career to the gaming industry still have a chance of figuring out what the rules and regulations are. [laughter]

So while it's a small thing, that's the kind of thing that I think made a big difference to everybody. And I didn't do the heavy lifting. Mark Lerner and Mike Wilson really did that, but I do think I played a role in identifying the need and seeing to it that the project got launched and got pursued and

got completed. So that's small thing, but small things are important.

How would you describe Bill Curran, chairman of the Nevada Gaming Commission? How would you describe yourself?

Well, I don't know that I was ever any smarter than anybody else or any wiser than anybody else, but I did try to see to it that anybody who had an interest in the business of the Commission came away from it with the feeling that there had been a fair hearing, that they'd been treated respectfully regardless of what their situation was, that the people on the Commission had worked hard in preparing for the meeting and in trying to reach a decision that was wise and was well-founded. And I always felt that process was very important. While the final outcome was perhaps of paramount importance, if people came away from the encounter feeling that they'd at least had their day in court, that they'd been given dignity and that their position had been heard and listened to and considered, that we had done our job and done it well. I don't think we ever lost track of that sort of system value, and having had such great colleagues the time I was there made it a value that was paramount and was observed. And not only did I have the good fortune to serve during the exciting time in the industry, but I had the good fortune to serve with a group of extraordinarily gifted and committed people who enriched the experience for me and, hopefully, accomplished something good for the state and for the industry.

During your time in office, as we mentioned earlier, the gambling industry moved into many states and many countries. You often hear the expression "foreign" gaming, foreign to Nevada. Would you explain if that means foreign outside of the United States, or does that mean any gambling outside of the state of Nevada?

Well, we use the term here to mean any gaming outside of Nevada conducted by people who are licensed in Nevada. This became a very controversial and important issue that the Commission had to address. It had first been considered when Nevada's licensees wanted to go into New Jersey when Atlantic City came on line, but in the early 1990s the pressure really began to mount in other jurisdictions, and Nevada licensees became very concerned that they were at a great competitive disadvantage as far as taking part in the expansion in these new jurisdictions because our rules were so restrictive.

Under the old regulations, there was an elaborate procedure where before you could go into operation in a new jurisdiction you had to come forward in Nevada and submit an application to do so. One part of that application required a licensee to show that there was an effective and operating regulatory system that would ensure gaming was regulated at the same high level as it was in Nevada. That became a very important emotional and patriotic issue in jurisdictions particularly overseas who were going to award franchises to operate one casino in their jurisdiction, and they could entertain offers from operators from all over the world who could come in and negotiate their deal on the spot, or with a Nevada operator who perhaps came with some greater operational credibility, but who had to come forward with the understanding that they could only take advantage of the opportunity even if it was presented to them, if it was approved in Nevada, and further, that Nevada regulators were going to make an assessment publicly of the regulatory system in this other country. And that was considered very off-putting by leaders of foreign countries to think that little old Nevada was going to evaluate their credibility and their fitness to oversee gaming, and that additionally required months of application-

making and evaluation and greatly extended the time from initial proposal until a deal could be inked by a Nevada operator.

So they came forward and asked for revisions that could eliminate some of these problems and it became a very contentious issue. The local press could only see negativity to Nevada as it would shift investment out of state or overseas, it would undermine, perhaps, our employment base, and it would perhaps lead to our corporations moving their corporate headquarters out of Nevada to someplace else, and they thought it was very threatening to the state. And that was more or less the Gaming Control Board's take on the issue, that there should continue to be very tight restraints on expansion into new jurisdictions by Nevada licensees.

This was a complex issue that was discussed over a period of months and involved numerous meetings of the Gaming Policy Committee, so it's not fair to characterize any one person or group of having just one position because it was very much an evolutionary kind of a process. But ultimately what the Commission determined was that Nevada could not simply say that gaming was not going to expand anywhere else, that we were not going to face new competition, and that having the restrictive rules that we had only put Nevada licensees in the tremendous competitive disadvantage and even jeopardized their willingness to continue in Nevada because they might be in a position where they'd have to choose to either operate in Nevada or operate in the whole rest of the world. We didn't want our operators to have to make those kinds of choices. And having eventually reached that kind of policy choice, then there was a tremendous amount of discussion of, OK, if you don't have to get approval in Nevada first, what *do* you have to do? What are the new rules going to be, how are they going to be enforced, how do you do the most you can to maintain the benefit to Nevadans of the gaming industry that grew and blossomed here? But how do you also allow our corporate citizens to fulfill their duties to their stockholders by pursuing the new opportunities? It was a long process, it was a difficult one that was marked by heated debate, but in the end, I think we did make the right decision. I don't think that we would have benefited at all by trying to restrict competition. I think we would have only hurt our corporate citizens and our actual human citizens. It was a tough decision. I think it was the right one, though.

Approximately how many hours a week or a month did you spend preparing for your monthly meetings or working on commission business?

It really varied, because not every month's meeting was the same. Occasionally, we'd have fairly routine meetings. Those weeks or those months I could probably even prepare for the meeting and attend the meeting all in a course of, say, five days. Some months, though, required a lot more time than that. Some months we'd had multiple meetings and really exhaustive reading and preparation for the meetings. And then particularly as chair, I have all these other responsibilities meeting with people, both in the industry, people from other jurisdictions, working with the press. On an overall basis, when I think of the time I devoted to the Commission, it was almost invariably half of my business time or more on a monthly basis. It was a substantial amount of work, and you were never quite fully off duty because things kept happening, and you had to be available to deal with it. If you were on vacation, you were still on duty. While I didn't get an enormous number of calls in the middle of the night, I did sometimes. It took a lot of time, but it was worth it.

Bill, since you left the Gaming Commission, are you currently involved in any way in the gaming industry?

Yes, I'm still involved to a degree. I still lecture from time to time. I'm at conferences or symposiums of some kind dealing with gaming issues. I currently serve on the compliance committee for four licensees. I occasionally represent people in licensing or regulatory matters of one kind or another, and I'm still interested and involved with the International Gaming Institute. And I'm sure I'll continue to have a level of involvement in the gaming industry, but I don't see myself as becoming a full-time participant in it, either as an operator or licensee or anything like that.

Thank you very much for your time, Bill.

Well, thank you. I sure appreciate it.

STEVE DUCHARME



Steve DuCharme was born in Lowell, Massachusetts, in 1947, moving with his family to Las Vegas at age twelve. He then attended Nevada Southern University, now the University of Nevada, Las Vegas. His first job in local government was with the Clark County Sheriff's Department, which he joined in 1970 and where he remained until being appointed to the Gaming Control Board by Governor Bob Miller in 1991. After approximately seven years as a board member supervising the enforcement division, he replaced William Bible as chairman of the Board in September of 1998 and remained as chairman until retiring in January of 2001. Upon his departure from the Control Board, DuCharme had spent more than thirty years working for state or local government. After the required one-year "cooling-off period," he began to work as a compliance consultant for several gaming-related entities, as a consultant for gaming attorneys, and as an occasional expert witness.

Steve DuCharme. Photo courtesy of Steve DuCharme

Dwayne Kling: Good morning. My name is Dwayne Kling. It's July 30 in the year 2002. I'm with Steve DuCharme in his home in Las Vegas, Nevada. Mr. DuCharme, does the Oral History Program of the University of Nevada have your permission to record these tapes that we are about to begin today?

Steve DuCharme: Yes.

Where were you born and when were you born?

I was born in Lowell, Massachusetts on April 6, Easter Sunday, 1947, and we moved to Nevada, I believe, in February or March of 1960. I was twelve years old, and I think I was in seventh or eighth grade at the time.

Did you attend a college or a university after you graduated from high school?

I did. I went to Nevada Southern University, which is now University of Nevada at Las Vegas. I started right from high school, and then I got involved with the reserve program with the Clark County Sheriff's Department. I was immediately smitten with police work and left school at that time to pursue a career in law enforcement. In the mid-1980s, when I thought that I'd had enough fun on the streets and wanted to start taking promotions at the police department, I went back to school again and started working on my master's.

Was there any particular reason you liked the police work, or was there some individual that steered you that way?

Lloyd Bell, who was the undersheriff with the sheriff's department, was a family friend who I looked up to, and when I became aware of a reserve program where an individual would receive a little bit of training and then ride as a second deputy in the car about two nights per month. I prevailed upon Lloyd Bell to get me in the reserve program. Right from the very first it was an exciting occupation and I immediately applied to be a full-time deputy with the Clark County Sheriff's Department. I joined the sheriff's department in August of 1970, and actually, Bart Jacka hired me.

I went back to school in 1986, and over the course of the next couple of years, I received my associate's degree in law enforcement and then a bachelor's degree in criminal justice. I was pursuing a master's degree in public administration when I was appointed to the Gaming Control Board.

What year were you appointed to the Gaming Control Board?

I was appointed in 1990 and I took office January 2, 1991.

Who did you replace on the Board?

Gerry Cunningham. As you know, the makeup of the Board typically has one law enforcement person, or a lawyer that oversees the enforcement division. For a number of years, a retired person from metro had the law enforcement position: first, Bart Jacka, then Jerry Cunningham, and then me. And now Bobby Siller, the former special agent in charge of the FBI has the position.

Who appointed you to the Board?

Governor Bob Miller.

Had you known Governor Miller prior to your appointment?

Yes, I had known Governor Miller since high school, and he and I were friends. Also, Governor Miller had worked for the sheriff's department when he was in law school, then worked at the district attorney's office, and as a justice of the peace. And so while we were social friends, our careers were tracking for a number of years.

As the law enforcement member of the Board, did you oversee any specific division such as investigations?

No, actually, investigations, which does background investigations, typically is supervised by the chairman. Normally, the law enforcement person would supervise what they call the enforcement division, and that division has about eighty-five agents that are sworn police officers. They're the gun-carrying, badge-toting, law enforcement types. The other division, while they are peace officers, they're not category three peace officers.

Did you oversee other divisions?

No. Just the enforcement division when I was a board member. Obviously, when I became chairman then it was different. The chairman would oversee administration, corporate securities, and investigations.

When you were first appointed to the Board, what did you feel was your main responsibility?

I felt my main responsibilities were first to protect the integrity of the state and to protect the integrity of the gaming industry. The public policy is pretty specific about maintaining the public's confidence through strict regulation of gaming, which ensures, first, that people have confidence that gaming is conducted honestly; and second, that the state gets its proper share of the taxes. The two main functions, the way I see it, are to make sure that the games are honest and make sure that the state collects its taxes.

In early 1990s, shortly after you were named to the Board, the casino gaming industry in Nevada wanted to spread into states other than Nevada. What position did you take on that?

I was not in favor of it. It was my position that because the state had allowed gaming since 1931 its reputation had suffered, that a number of people thought that the state of Nevada was, as they say, "Sin City," and that it was not a place where you wanted to raise a family and bring up your kids. Therefore, a number of industries would not locate to Nevada because of the taint of the gaming industry. However, it's true that the gaming industry was good to the state in the form of taxes, that the quality of life here was pretty good, that the tax rate was low, and that for many, many years there was a state surplus. When it looked like there was going to be expansion of gaming into these other jurisdictions—a number of people said, "Well, it's inevitable. You might as well let these guys go"—I believe that with the cachet of the gaming regulation here, with the name of some of our quality companies like Hilton and Caesar's, that if they were in the forefront of promoting legalized gaming in the other jurisdiction, that that would speed up the process. I believed that if people in Missouri or people in Florida or Mississippi had to do it on

their own, it would take a lot longer. And if we didn't have the ability to regulate these properties they could speed up their process to the detriment of the state of Nevada, and instead of investing their money in Nevada they would put it in some other state.

Was there gambling in New Jersey at this time?

Well, yes, there was and I didn't have any control over that. That occurred in 1978, before I was in office. But there was a statute and a regulation that required gaming companies to get prior approval before they engaged in these foreign² gaming operations. There was also a provision there for what was called "shelf" approval, which means that a company would come to the Board and the Commission and say, "We don't have a particular location or operation that we're looking at, but we want approval to go out and beat the bushes for something that looks good to us, and we'd like this approval." As it turned out, with myself and Bill Bible, we had a two-to-one majority on the board, with board member Tom Roche thinking it was OK for these companies to go outside the state. So the initial request for approvals was denied. And actually, that's how I met my wife, Patty. She represented Harrah's on one of these shelf approvals and received a denial. However, when Harrah's went to the Commission she was able to convince the commission to OK them.

Was Harrah's the only one that the Commission OK'd?

No, but they were the first one, and then it was like opening up the floodgates. I remember one meeting where probably all of the NRA [Nevada Resort Association] was there, and in one fell swoop they all got shelf approvals. Then the next year they went to the legislature and had the law changed [laughter] so that they wouldn't have to jump through that hoop any longer.

So actually, Harrah's, when it was represented by Patty Becker, set a precedent.

Correct. You know, gaming companies are reluctant to have any kind of denial. Normally, they test the water, and if it doesn't look like it would fly they would withdraw it as an application whose time hadn't come. But for some reason they chose to push this to the fullest and were successful. And, like I say, once one of them got it, then they all jumped on the bandwagon.

You were a member of the Board and/or chairman of the Board for approximately ten years, and the situation you just mentioned was a definite change in the gaming industry that took place during that period. What were some of the other major changes that took place during your tenure on the Board?

Well, during the mid-1990s there was this big rush to go public. All of the gaming companies that had previously been private did initial public offerings and sold stock to make themselves more liquid and to be able to raise additional capital. I think Palace Station, which is now Station Casinos, was the leader of the pack. They were very successful in doing their IPO [Initial Public Offering], and after that a whole litany of companies went public. It took a while for the Control Board and the Commission to get comfortable with some of the SEC filings and the debt offerings. So the first couple of years the Board

² Foreign gaming is anything outside of Nevada, not necessarily outside the United States.

and the Commission were fairly conservative and wanted to really scrutinize each one of these debt or equity offerings individually, but after a couple of years they became fairly routine and the Board and Commission became more liberal in giving companies blanket approvals to go make these types of offerings.

Later in my career the Board and the Commission got even more liberal with some of the structures of companies that were licensed. The first one would be Colony Capital, which was not a true publicly-traded company in the SEC sense of the word, but its shareholders were all institutional investors, meaning they were large state retirement funds, and some university endowment funds. These large institutional investors clearly were passive investors and had no influence over the operation of the gaming concern. And when we initially looked at them, it didn't neatly fit into any category that we had previously licensed. But with certain conditions and waivers, we were able to allow this type of structure, which then brought more capital to the state of Nevada and benefited the state. Now the Board and the Commission are more comfortable with it. We labored over these things for months and months and months, and agonized over them—you know, for every action there's a reaction: if we do this, is this going to open the door for something sinister—so we were very, very cautious. But in the long run it's proved very beneficial to the state, and the integrity hasn't been jeopardized.

Throughout the history of licensing a property, the main question has always been, "Where is the money coming from?" In this day of multi-million-dollar or billion-dollar financing, has the "Where does the money come from?" taken on more importance, or is it easier to track the money when people such as Steve Wynn are the ones requesting licensing?

Well, that cuts both ways. When Steve Wynn comes in and he has the Bank of Nova Scotia and the Deutsche Bank lending him big chunks of money—*hundreds* of millions—that's fairly easy to track. But when you get a guy like Carl Ichan, his corporate structure looks like the schematic on how to build an atomic bomb. I mean, this guy has two or three hundred companies. And so while some are relatively straightforward, others are so convoluted they give you a migraine right off the bat. So we do still track that money. As you pointed out, that's where the devil is; you have to know, "Where is this money coming from?" Some people think if they run it through forty-two corporations and an off-shore trust account, that we'll lose interest, but we don't. One of the biggest sticking points to the Forsyth brothers on the Sport of Kings investigation was they had a Lichtenstein trust that reported to a Gibraltar company, and they claimed that they were unable to pierce the trust because that's the way it was set up by the father. And after many, many go-rounds, we just said, "Well, we're sorry you can't pierce it. But we don't know where this money came from, and so we're not going to approve this."

Let's talk about the Sport of Kings for a little bit. Would you give us a little background on the operation?

Well, it was early on in my career when the Sport of Kings came forward with this proposal that was pretty unique. They wanted to have a racebook that gave true odds, but they were also going to have a few gaming tables and some slot machines as an amenity to this racebook. They were going to run it the United Kingdom way and they were going to be street-corner touts, only in a big, big way.

No pari-mutuel system?

I believe they were going to have a small pari-mutuel system, but their main focus was this: true odds, a real gambling type of a venture.

Kind of booking it out of their back pockets.

Exactly. There was a primary individual who had come up with the idea and who was the general bookmaker. He had gone out and found these two brothers, Stephen and James Forsyth. They were from London, and they had a colorful past. Their father had been in the amusement, slot-machine business forever, and they were linked to an unsavory person, and that unsavory person had quite a colorful history. But we were willing to look at any individual and try to separate gossip from fact and if we found they were suitable, we'd move forward.

However, there were a lot of problems in this suitability investigation. And in the interim, they went out and hired a former board member, Dennis Amerine, to be their chief executive officer and president. Dennis had been very closely associated with the Forsyths. They were close friends. Their CFO was an individual who had worked at Arthur Andersen with Tom Roche, another board member, and their chief of security was a gentleman by the name of Tom Park, who I had worked with at the Las Vegas Police Department for a number of years. We had worked together in narcotics, and he had been my boss on a number of occasions. So we had a little bit for everybody there. [laughter] And their lead lawyer originally was Ellen Whittemore, who had been a deputy A.G. assigned to gaming and knew everybody at the Gaming Control Board.

As we started moving forward, there were some hiccups in the investigation. Suitability issues aside, their particular operation and their business plan accentuated every loss leader that all the other gaming companies tried to hide from, or run away from. All the things the Sport of Kings wanted to do were things that other gaming companies were losing money on. When we looked at it we said, "You know, guys, we don't know if you can be successful." But, of course, they were very enthusiastic about their business plan: "No, no, no, no. We are going to revolutionize race and sports betting . . ." Actually, they weren't even going to do any sports betting. They were going to revolutionize *race* betting in the state of Nevada. And while the statute requires that the Board and Commission make a finding that the business plan is feasible and that the financing is suitable and that there's adequate financing and adequate business acumen, the Board and the Commission are reluctant to not give individuals an opportunity to fail. I mean, if you have at least a halfway chance of succeeding, the Board and Commission typically say, "OK," [laughter] "we don't think this is going to work, but it's your money and if you want to lose it go ahead." Also, in cases like that, we would typically do a post-licensing watch on them, and we'd clearly make sure that there's money to pay the gaming patrons and try to ensure that the vendors and the creditors are paid. Now, we're not always successful, and companies do go bankrupt. And typically, it's companies where we had said, "You know, this is an interesting plan you've got here, but it hasn't worked before, and we're not sure it'll work now." And I can think of three or four instances in my ten years where we questioned their ability, and sure enough, they ended up in bankruptcy.

I didn't realize you kept a closer watch on companies like that. Do you send in your audit people to check things out?

Correct. We definitely do cage countdowns to make sure that they have adequate money to fund their outstanding gambling liabilities. Their trade creditors are a little bit different, but we have an

obligation to protect them also. Sometimes we would require these companies to either post bond or to set aside certain funding ratios for their current liabilities versus their long-term liabilities versus their cash on hand.

What happened at the investigations?

Well, initially they were not going to be successful. So they brought in—and not to say Ellen Whittemore wasn't a big gun, because she was—but they brought in Governor Grant Sawyer as their attorney.

This is when they're appearing before the Board?

Correct. The first time they were not successful and it was referred back. The second time they were able to get a recommendation on a two-to-one vote. When it went to the Commission, the Commission didn't buy off on it, so it got sent back to the Board again. Then they brought in Grant Sawyer and Paul Hejmanowski, who was their managing partner, and they went through another round of hearings trying to develop a checklist of conditions and special circumstances that would allow them to move forward and still give the state some comfort that the state's reputation was going to be protected. They backed out the Forsyth brothers saying that they could not be involved in the operation. Now, these people, the Forsyths, were the biggest lenders—60, 70 percent of the funding came from them—and they were going to have an ongoing involvement as a lender and creditor, but were not to be involved in the gaming operation. This didn't sit well with the Forsyths, especially Stephen, but that was the only way they were going to be able to get an approval. Eventually they did get their approval, but with several conditions and restrictions, and immediately ran into trouble and started to have regulatory problems.

There were some attempts to disguise their lack of adequate bankroll and that resulted in a disciplinary complaint. The end of the story is they went into bankruptcy, and almost everybody involved lost money on the deal. They closed the doors and it's now a nightclub. I suppose if you talked to the Forsyths they would say, and maybe everybody involved in an operation would say, that the Board and the Commission handcuffed them so much that they couldn't be successful, that had the Commission not restricted the Forsyths from putting in more money, they would have saved the place. I'm sure that the people on that side of the table think that all the conditions and restrictions are what forced them into failure, while the other side thinks that it was just poor management.

Was there any application or applicant that proved to be extremely difficult for you during your time on the Board, either as a member or as a chairman?

There was one application that started in 1992, and came to the Board in 1993, and that was Leonard Ainsworth's application for Aristocrat Gaming. Leonard Ainsworth, was a slot machine manufacturer out of Australia. He had attempted to get licensed in the late 1980s, was unsuccessful, and took a withdrawal. His Nevada attorney was Paul Bible—Bill Bible's brother—and for obvious reasons, Bill had to recuse himself from this issue. So Bill assigned me to fill in as chair on this particular application, even though I was relatively new to the Board. Paul Bible came to me and said, "Look, we had some problems in 1988, 1989 and ended up withdrawing this application but we want to refile it. Would you hear it?"

And my response, obviously, is, “Well, sure. If you’ve either rehabilitated your applicant, or you can more fully explain the areas of concern, we’ll obviously take another look at it,” not knowing this was going to be one of the biggest headaches of my career.

Did Bill Bible attend the meetings, and just not act as chairman?

No, he would not attend the meetings. He had no involvement in the application. When the investigators wanted to talk about it, or when the chief of investigations needed authorization to go somewhere, Bill had no involvement. That would go through me. That happened many times to me when I was the chairman, and a company that my wife was involved with had an application. I would always turn it over to Dennis Neilander, and put out memos stating that anything concerning this company or that company has to go through Dennis. Bill did the same thing on any application that involved his brother. Now, he would switch off sometimes between me and Tom Roche—or Brian Harris later on—as to who would act as chair. But on any of those applications he wouldn’t read any correspondence. When there was testimony or when we were hearing the application he’d get up and leave the room. He would try to stay as much at arm’s length as he could.

But in any event, we ended up sending team of agents down to Australia. I think the first time they stayed down there for six weeks and ended up having probably twenty-four or thirty hours worth of hearings on the Aristocrat application on a number of issues that involved Mr. Ainsworth personally. The way that they do business in Australia is a little bit different than the way they do business in the United States. A large portion of the gaming is conducted through what they call “private clubs.” It would be similar to your local country club getting a gaming license and ploughing all the profits back into running the club. But there was kind of a little clique between the manufacturers and the club managers on what or whose machines they would purchase. And so some type—I don’t want to refer to it as kickbacks—but some type of an incentive [laughter] was given to the club managers to pick a certain manufacturer’s product. That was just the way business was done there, and one of the reasons that Mr. Ainsworth had problems in his 1980s hearings, was because of that. And when we looked at it again in the early 1990s, there were other instances of that that were recent. So there was a concern that this type of activity might be brought to the United States, and we didn’t think that that was the way a licensee should go.

At the board level there were only two board members, me and Tom Roche, and it ended up with a split vote the first time, so it went to the Commission with actually no recommendation. But at the commission level there were some concerns about the application, and it was referred back to the Board. In the interim some new evidence came to light that apparently the applicant and his attorney didn’t think they would be able to overcome, so they requested a withdrawal. And it was withdrawn again. Later the company reorganized and Mr. Ainsworth liquidated all of his holdings and gave it to his children. They put all the children’s holdings into what we’d call in the United States a trust fund, trust account—there is a different term for it in Australia—and then they brought in professional managers and they were able to get licensed here, probably around 1992. But that application was particularly difficult because I was new on the Board and trying to do a board member’s job plus doing the chairman’s job was rather difficult. There were thousands of pages of documents, and there were probably, I’m guessing, over a hundred exhibits connected with the thousands of pages worth of what we call “summaries.” We euphemistically call the write-up of the investigations the “summary,” but they’re typically very, very long and involved and detailed and complex, especially this particular application.

Did you find that every year or so there would be one or two cases that came up that would last, not forever, but much longer than usual?

Right. You know, at least once a year, sometimes maybe twice a year, there would be a very contentious application. Typically, the toughest ones are the “tweeners.” I mean, you’ve got a number of applications where the guy just had no business even filing. He even would lie on his application; he wouldn’t put down half a dozen arrests; he hadn’t filed income taxes; or the income tax that he did file was phony. And so those are fairly clear. This guy goes away. Sometimes a guy doesn’t know any better, or doesn’t have the proper legal advice, and so he’ll show up at the board meeting and get a denial, and there’s a stigma to being a denied applicant. It’s one thing to be able to withdraw so that you’re not successful getting a license, but if you’re a denied applicant, you cannot do business with any gaming licensee in the state of Nevada without prior permission. You couldn’t be employed by a casino, and you couldn’t be a vendor to a casino. So the position nobody wants to get into, is being a denied applicant. You may not be successful, but it’s ten times worse to be a denied applicant. Occasionally these guys would not understand the process or not be willing to take the advice of their attorney, and they’d just come up there and get their hat handed to them.

But, as you point out, occasionally there are these “tweeners” where the underlying feel is that this guy doesn’t have the business probity or the integrity that’s required of a gaming licensee, yet there’s no silver bullet or smoking gun. Some of his past business practices, while they might not be illegal, there’s just a whole string of shady deals or gray-area shenanigans. The only thing the Board and Commission have to go on is past practices or past behavior and they are typically indicative of your future behavior. If a guy takes too many shortcuts, or is sailing too close to the wind all the time, you probably don’t want to take a chance on him because the reputation of the state and the whole industry is at stake.

I have heard that in years past the toughest applicant would be on the agenda first. Is that still in effect to this day?

Correct. It’s either the one that has the most problems or the one that’s the most complex. And so generally, the lawyers that practice in the gaming field—the gaming lawyers—don’t like to be number one or two or three on the agenda. But we generally, or always, explain to them the area of concerns. There’s always a closing conference with the lawyer and the applicant and the investigators to say, “Look, these are areas of concern that we haven’t fully resolved, so these are issues that you’re probably going to have to discuss more fully at the Gaming Control Board and at the Commission.” So we try not to blindsides these guys and get them up there in a public meeting and embarrass them. But if they’ve had whatever the length of the investigation was—typically if it’s a big investigation it will last a year or so—they’ve had all that time to explain any area of concern or provide any exculpatory material that they have. And if there are still dangling issues, then we would talk about it at a public meeting.

Were there any long-term or questionable applications you’d care to talk about?

We had an application where a partner had the piece of property where Players in Mesquite was built. It’s now the Casa Blanca. And then he had the property where a casino in Henderson had been built. He had been a licensee on a bar several years before he got heavily involved in these non-restricted

locations, and there were some issues with the Department of Labor regarding the hiring of illegal aliens and then not paying them properly. When we got into the larger investigation for the non-restricted license, we came across a very large kickback scheme involving his housing development company. Then we uncovered what appeared to be about six hundred thousand dollars that he had stolen from his partners and not reported on his income tax. Also, the tax return for one of his corporations had been prepared by Arthur Andersen and when it was sent over for his signature, he and his attorney had used white-out on the tax return and changed some of the amounts and then sent it in as if it were prepared and approved by Arthur Andersen.

Actually, his attorney during this investigation, Frank Schreck, who is one of the better gaming attorneys in the state of Nevada, had been doing what good gaming attorneys will do, arguing for his client. But at some point, Mr. Schreck became convinced that his client hadn't been forthcoming with either the gaming agents or with him and resigned his representation, which is pretty unusual, but fairly stand-up for Mr. Schreck. So now this individual wanted to withdraw, but the Board would not grant the withdrawal request. We processed the application and denied him. He did not appear at the meeting, but his attorney did, his in-house counsel, the one that was responsible for the changing of the tax documents. And we denied them both, and reported the attorney to the Bar Association. We also reported this applicant to the Internal Revenue Service. They went over there with search warrants and seized all of his documents, so that was an interesting little turn of events.

Another difficult applicant was Judah Herz, an individual involved in the jewelry business out of Los Angeles. Judah Herz was the CEO of Sapphire Gaming and he applied to purchase the Sands in Reno, the Comstock Hotel-Casino, and he also had a deal with the Hilton for the downtown Flamingo Hilton. He did all the right things, plus he hired Frank Schreck. The initial review of his books would indicate that his bookkeeping, at the very least, was sloppy, and at the worst was criminal. [laughter] So Frank Schreck did what he could to rehabilitate his client and he got Arthur Andersen in there to try to reconstruct the books. As it turned out, that just was not possible. The records didn't exist, they couldn't be reconstructed, and Mr. Herz had a number of associations that probably wouldn't have passed muster. It became obvious that he was not going to be successful, and he opted to withdraw his application, and when the Board processed that up it resulted in him being denied.

Would you explain the difference between a person being denied with prejudice or without prejudice?

The only difference is that "with prejudice" means that you can't refile for one year. That's really the only distinction. The same thing with a withdrawal with prejudice or without prejudice. If somebody is granted a withdrawal with prejudice it means that they have to wait one year before they refile. That's the same with a denial. You're still denied.

Did Mr. Herz's investigation last for at least a year?

Probably longer; it was a pretty extensive investigation. And when you don't have the records, it makes it much more difficult. The agents have to go to the banks and try to reconstruct the records, but if they're not there then it's an impossible task.

Would you give me a ballpark figure of how much it costs an applicant to have such a lengthy investigation?

The Gaming Control Board charges the same hourly rate that we pay our agents, and we have just raised that rate. We're still not the highest in the country, but we have raised it. For a number of years we were one of the lowest. We were billing at fifty dollars an hour, or something around that neighborhood, and I think they're up to seventy dollars an hour now. And we bill them dollar-for-dollar for travel expenses and per diem and things like that. While some of these investigations can run into the hundreds of thousands of dollars that the applicant has to pay to the state, the bigger expense would be to their professional advisors: their lawyers and their accountants developing documents on their own. If we tell the applicant, "Send me five years worth of your income tax, or send me five years worth of your check stubs," if they can just go make copies and send it off, then that reduces the cost. If they say, "I don't have it, I can't find it," and if our agents have to go to the bank and have the bank make copies, then obviously that is an extra added expense. So the better the applicant's records are, and the quicker he can provide that information, the cheaper it is to him. However, generally, on some of these more drawn-out investigations, their professional expenses will outrun our expenses by two-to-one, sometimes three-to-one. So if we end up billing somebody three hundred thousand dollars, he's probably in it another million in professional expenses. I know probably one of the more expensive ones was the Dunes. At the Dunes, Mr. Nangaku's investigation ran close to a million dollars. He had over a thousand corporations in Japan, and our agents had to go track down all of these various corporations and so it got to be pretty complicated.

Did some of those agents have to spend weeks in Japan?

Yes, they did. They actually spent months. The Japanese government, actually the entire Japanese culture, is very private and they don't like to share this kind of financial information. To ask your business associates to open up their books goes against the grain of their culture. And actually, Japanese law enforcement was reluctant to share a lot of information with us. So we really had to work hard to develop these liaisons and to try to coax out this information.

What was the result of his purchase of the Dunes? Was it a good situation?

No, it was losing money, and he brought in a number of operators to try to salvage it, but it ended up when his health started to fail. He then brought in Richard Goeglein's company to wind it down, and then they sold it to Steve [Wynn].

You were still on the Board during what was possibly the most embarrassing happening in gaming regulation history, the defection of gaming agent Ron Harris. Would you tell us about Ron Harris and how he attempted to beat the system?

Well, part of the function of the gaming lab is to try to reverse engineer gaming devices to see if they're susceptible to being cheated.

Was that where Ron Harris worked?

Yes, he worked in the lab, and he was an engineer. He was pretty good at detecting the security of

gaming devices. Cheaters sometimes develop methods to cheat gaming devices, and there was one gentleman by the name of [Leo] Weeks who had an electronic instrument that would anticipate the number generator and predict outcome of video poker devices. Mr. Weeks was fairly successful in cheating slot machines, but he was an engineer, not a career criminal. So while he was pretty adept at developing this device, he was not a very good crook and we were able to catch him early in his criminal career. Now, Ron Harris was able to reverse engineer this device and determine just exactly how Weeks had done it. What Ron Harris had done for a large portion of his career, was to figure out how to cheat machines and figure out how the cheaters were cheating machines. And so apparently at some point, Harris determined a weakness in a keno device—the random-number generator—and was able to cheat the system. But, again, he was a very poor criminal and got caught on what we think was his first outing on this particular device located in Atlantic City.

Then our lab and our enforcement agents were able to uncover another cheating program that he had, a pretty ingenious cheating scheme where he introduced some gaffs, or cheating programs, in a number of slot machines throughout the state. He had these gaffs inserted on the machines by some unknowing agent and Ron, or one of his accomplices, later on would come around and cheat that particular machine. If anyone were to be suspicious that this machine wasn't holding what it should be, they sent gaming agents out to retest it, and upon hooking up the computer again, it would erase the gaff. So it was a pretty ingenious little program. But, again, there was a paper trail. His relatives and friends would collect these jackpots, and so there would be these W-2 G payouts on these slot machines, so we were able to track them.

Now, the embarrassment got exacerbated because the investigation dragged on. The Gaming Control Board had done a pretty thorough investigation with the lab and the enforcement division, and had sent the case report to the office of the attorney general, who was going to prosecute the case, and then the case kind of languished there for quite some time. There were a number of letters back and forth between Chairman Bible and the attorney general, Frankie Sue Del Papa, with Mr. Bible requesting some kind of resolution to the case. Then at some point, Mr. Harris decided that he would cop a plea and provide testimony or evidence to the attorney general's office on other wrongdoing. So there were a series of video tapes made where one or more deputy attorney generals debriefed Mr. Harris, and I believe the lead attorney general was a gentleman by the name of David Thompson. Over the course of the eight to twelve hours of these interviews that were videotaped, Harris alleged all kinds of criminality afoot, skullduggery, and sinister activity on the part of board members and board agents and people in the gaming lab. He alleged suitcases full of money were being given to the gaming board chairman from gaming attorneys, that other people in the lab were rigging slot machines, and just a whole litany of wrongdoing. Well, at some point, a reporter for a national TV news magazine—I believe it was the ABC-TV news show *Prime Time Live*—had requested an interview with Chairman Bible, allegedly to discuss some segment of the gaming industry at an interview in the control board offices.

Without any notice this investigative reporter pulls out a small television and shows Chairman Bible a portion of the Ron Harris tape, where Ron Harris is alleging criminal activity on part of the Board.

And Chairman Bible was not aware of those tapes?

No. We later discovered the existence of these tapes, and we called the attorney general and said, "We'd like to see these tapes."

She said, "No, I'm not going to show them to you." She said, "It's an ongoing investigation."

Well, it was later determined that Bill Bible had said, “If *we* can’t see them, how come *Prime Time* can see them?”

She then disavowed any knowledge of how ABC-TV got the tapes, but later the explanation was that they shared those tapes with the division of gaming enforcement in New Jersey, who had initiated the case on Ron Harris, and that they believed that those tapes had been leaked by the New Jersey people to *Prime Time*. But in any event, the investigation drags on and on and on, and there are these allegations that board members are corrupt, and that members of the lab are corrupt.

Now, during this period of time, the chief of the lab division, Ed Allen, had retired and we’re trying to appoint a new lab chief, but there’s this cloud of suspicion hanging over everybody in the lab because the attorney general’s office won’t share their information with us. It caused a lot of ill feelings between the two agencies, and we said, “Close these cases or exonerate these people, or do whatever you want to do, but we’ve got to move forward.” Most of the allegations were just hearsay and rumor and gossip, and a number of them had already been investigated and put to bed, but this was just festering there. Finally, Mr. Thompson issued a letter saying that the investigation is closed: “I can’t prove or disprove these allegations, but we’re closing it out.” So it was not a pleasant time. Now you’ve got the guys that are supposed to be watching the gaming industry under suspicion as well as the industry, and so it was not helpful to the state. One of the allegations was that there was a secret room in IGT’s main office that could control how MegaBucks is paid out, and that’s why every time Steve Wynn opened a new property the MegaBucks was hit there first. But they didn’t take into consideration that the Wynn properties had the largest percentage of MegaBucks machines in the state. However, when he did open the Bellagio we were all keeping our fingers crossed that the damn thing didn’t hit at the Bellagio the first day. [laughter]

[laughter] I guess it didn’t, right?

It did not.

Do you feel that most of the bad publicity resulting from that problem has been overcome, and that the public now has confidence in the Nevada regulatory system?

I would hope so. I mean, we did what we had to do. Any company is very vulnerable to employee theft or employee misconduct. And we do pretty extensive background checks, but anybody’s most vulnerable to the people that they trust the most. However, we did implement some changes after that. We had Sandia Labs come up and do an audit of our lab and make recommendations on how to segregate the work. The problem with the gaming devices at the time was when you wrote a program, your program might take up 30, 40, 50, 80 percent of the available space, but there was blank space in that EPROM, and so somebody could come in there and stick a gaff in the unused space. Now, we require that they use up all that space with just nonsense or whatever, so that no one can add anything to the program.

That’s a good example of how gaming regulators have the capability to change.

I think gaming regulators—the Board and the Commission—are open to change, but they’re conservative by nature, and they want to make sure that this particular approval is not going to lead to something else that’s going to be catastrophic to the industry. Gaming regulators are taught to think in the

box. They think inside the Gaming Control Act and inside the regulations: this is what's allowed, this is what's not allowed, this is what we can do. You've got over three thousand licensees, and some of these guys are the best and brightest on Wall Street and the best and brightest in Nevada, and they're thinking outside the box: "How can we do something different?" And so they bring these new ideas to these regulators and say, "We've got a great idea."

"OK, let me hear about it, but what's the down side? If I allow this, what will that open the door for over on the other side? And while I trust this guy, there are maybe some guys sailing close to the wind that I don't know about and they might take advantage of this to the detriment of the state or the industry." So I think regulators want to consider change, but they're conservative by nature and they don't want to open up Pandora's box.

Have the differences between the attorney general's office and the Control Board been settled?

Yes. And, as you know, there are eight deputies that are assigned to the Gaming Board and the Commission from the attorney general's office that are actually their legal counsel, and there never was a problem there. Those deputy A.G.s we worked with on a daily basis; they were all very good, very hardworking. Our bust-up was with Frankie Sue Del Papa and Mr. Thompson, and I don't know whether they have ever resolved their differences. I think they have. But actually, Frankie Sue and I have been friends for many, many years, and, you know, she's entitled to her opinion. [laughter]

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Did you experience any difficulty, or was there a great deal of change when you moved from being a board member to becoming a chairman?

Well, yes. It's hard to be the chairman of the Gaming Control Board because you have so many balls in the air. You have a hundred and thirty-four employees, a twenty-five-to-thirty-million-dollar budget, plus all the licensing issues. But it was doubly tough for me because I was following Bill Bible, who was probably one of the best chairmen the Gaming Control Board ever had. This man has an incredible intellect, an incredible memory, an incredible work ethic. He is the epitome of a government service worker. And to follow an act like that was very, very difficult. But on the flip side, he had a pretty good organization in place and the momentum was going forward. We had a few little minor problems that every agency that size has: personnel issues and things of that nature, budget issues. But it wasn't like I had to come in and clean house. It was a pretty good organization. He and I had worked together for eight years. We had an excellent working relationship, and I knew the process going in. And while I did have some reservations about taking on the responsibility, it's like anything else: once you're in there and you get to doing it, it becomes easier.

Do you recall the budget of the Gaming Control Board when you retired?

The budget for the last year I was there was approximately twenty-seven million dollars. That had increased over the ten years from when I started at approximately eighteen million to the twenty-seven-million-dollar figure. The following year it was going to increase another four million because we had received approval from the governor to increase the investigative fees and some of the other pass-through

fees to the gaming industry in order to give the agents a raise. The agents had been losing ground to other state agencies and other state law enforcement agencies over the ten years to the point where we were losing a considerable amount of institutional knowledge to other law enforcement agencies, other state agencies, and to the industry, just because we couldn't match their benefits and salaries.

What was your salary when you left the Board?

I believe my last salary was a hundred and seven thousand. The pay raise that we got the governor to approve, which was a pretty good kicker for the agents, I believe in the range of 14 percent, did not include the board members. I think the board members themselves got whatever the state increase was, which was four percent, or something of that nature. But the governor had allowed us to build into our budget these pass-throughs in order to give the agents an extra boost to at least get close to some of the other agencies.

I've heard that oftentimes the chairman of the board will work eighty to a hundred and twenty hours a week.

Now, you're talking about Bill Bible there.

Oh. [laughter]

[laughter]

How many hours a week did you work?

Well, all board members have to do their reading once a month for the monthly meeting. On the week before the board meeting, you start getting what we discussed earlier, these summaries. The secretaries put them in these big, huge eight-inch binders that have handles on them, and you have literally thousands of pages of documents to read. Board members will generally try to get out of the office Thursday afternoon and Friday afternoon to start their reading, and then they read all through the weekend, and typically will stay home on Monday to read. Then on Tuesday morning they meet with the agents for what they call the "rump session," where they ask any follow-up questions there may be on each one of the items. So it is literally like cramming for finals once a month.

[laughter]

I know when I first started on the Board I didn't have any institutional knowledge or any institutional memory, and so an application that came up may have been heard a couple of times, so it would have the application, plus maybe two hundred pages of old transcripts from previous meetings. So I would have to read all of those old transcripts to get up to speed on that particular application. But after I had been there ten years, those old transcripts were things that involved me. And so while I may have had to go back and refresh my memory, most of that stuff I already knew.

And when you're first on the Board, all of it is first impression. Now, you're looking at it and maybe the agents will isolate some kind of an issue, and you run to the Gaming Control Act and say,

“How does this comport with 463.0129, or how does this comport with the multiple-licensing criteria?” So you’re in there doing legal research. My first year on the Board I was totally swamped. I mean, I could not believe how much work there was. I figured if I penciled it out at an hourly rate, they were probably paying me less than minimum wage.

But it gets easier over time. You get more familiar with the issues, and you build on your past knowledge and your past experience. And so it did get easier. Now, when I made the switch-over from board member to chairman, I’m not only worrying about one division, I’ve got all seven divisions; I’ve got the budget; I’ve got personnel issues. It does present a lot more problems. Plus, everybody in the industry, all the licensees and all the attorneys, they want to come and do these face-to-face meetings, here’s what we’re planning to do, or they want to call you and tell you we’re going to make this announcement next week, don’t want to catch you short. So you spend a lot of time in face-to-face meetings, or with telephone calls from people in the industry. So being the chairman is probably twice as tough as being a board member, and being a board member is hard enough.

[laughter] And you also had the press to contend with.

Yes, we were pretty lucky, we had a good relationship with the press. I think all of the board members were accessible to the press. We knew the reporters that covered the gaming industry, and just like anything else, if you’re candid with these guys and they trust you, then they’re not trying to take your legs out from under you. If you get crossways with them then you’re dead. And so we were pretty lucky, but occasionally they’d write a story that portrayed you in an unfavorable light. I remember one year all three of us went to Montreal to go to a gaming conference with the International Association of Gaming Attorneys, but it also has a brother organization, the International Association of Gaming Regulators. And even though the three of us took vacation time and paid for our own way—didn’t charge the state for it—John Smith, one of the local columnists, wrote an article on what the hell we were doing off on this boondoggle.

And it kind of grated on you a little bit. And so I still tease John about that one, and *[laughter]* he’s still sticking to his guns. But generally, the press was pretty good to us.

Have you ever talked to board members or chairmen that worked for the Board in the 1960s or 1970s and 1980s and compared your workload, or compared job similarities or dissimilarities?

No. You know, I have been in social settings with Phil Hannifin, Bart Jacka, and, obviously, Mike Rumbolz, but those were not substantive meetings.

You didn’t discuss work?

Well, you’d discuss old war stories or this catastrophe or this potential nightmare, or this, that, and the other, but generally, you tend to rag on somebody that voted affirmatively for somebody that turned out to be a thug. *[laughter]* You try to rub his nose in that one, and not let him forget it.

I would assume that the workload has increased. There are so many different fields to look into than there used to be.

You would think that, but actually, at least for me, it had fallen off. And I'll tell you why. Starting with Bill Bible in 1989, you began to get a little more longevity from the board members. And it probably had to do with the passing of the Patty Becker bill, which said that you couldn't go straight from the Board into the industry; you had to have a cooling-off period of one year. So I think that started probably with Bill Bible and anybody after him. There was more turnover beforehand; more of the board members left before their term was up or only did one term. And Bill, he ended up doing just short of ten years; Tom Roche did four; I think Brian Harris probably did five or six; I did ten. And so you're seeing more longevity in the board members, and they have more institutional knowledge and memory. The first day I walked in I didn't know a progressive from a roulette wheel practically. And towards the end you're familiar with issues. Something you might spend two or three hours worrying about early in your career, now you already know the answer because you've done it already, or you've looked at it already, or a certain kind of a financing arrangement you've seen before, you're comfortable with it, and you don't have to dissect it like you did originally. The first part of the 1990s it seemed like our meetings would last into the night—eight, nine o'clock at night two days in a row. But when I left we were getting most of our meetings done in the afternoon or around lunchtime, because we were looking at things that we were familiar with and were comfortable with.

Does the number of corporations currently applying make a difference also?

Yes. You've got these billion-dollar, publicly-traded corporations that have literally billions invested in the state of Nevada and they're not going to take a nickel-and-dime chance on their license. Actually, they bend the other way. They'd rather spend money being on the safe side than risk it.

During your tenure, some billion-dollar properties, such as the Bellagio, the Paris, and the Venetian were licensed. Do you feel eventually these immense hotel-casinos will force many smaller properties out of business, or have they already done that?

Well, they're definitely making it more difficult for the marginal properties. And I think a downturn in the economy would probably be catastrophic to some of the lower-end, third-tier properties just because there's so much volume now. All of the major properties are twenty-five hundred, three thousand rooms. They've got huge amounts of tables and slot machines. You've got to run a lot of people through there in order to make your overhead. And if you hit a slump to where Joe Six-Pack is not traveling, then the lower-end properties are going to suffer most. Probably the high-end properties that cater to the more affluent people, their customers may be tightening up a notch, but they're still going to have disposable income to travel and they're obviously going to want to go to the shiniest, newest, most glamorous property.

What do you feel are the major challenges currently facing the gaming industry in the state of Nevada?

Well, I think the expansion of tribal gaming in California is eventually going to have an impact on Nevada—specifically Reno, but to a certain extent, southern Nevada, too. Gary Primm made a nice living for a number of years being fifty miles closer to California than Las Vegas. Those properties down at Stateline or Primm did fairly well. So if you get properties in California that have the amenities that some Las Vegas properties have, people are going to forego one or two trips a year to Las Vegas and go

to their neighborhood casino. Michael Gaughan and the Station's people have made a nice living because they're closer to the neighborhoods and they get the locals market. People don't have to get in their car and drive down to the Strip to gamble. The expansion of California tribal gaming is going to be a big issue as soon as they get up and running full-bore.

Do you feel that internet gambling will be a threat to Nevada casinos?

Well, that depends. [laughter] It depends on whether it's legal or not. I believe there's a huge market for internet gaming, but I don't think it's good public policy. All of the negative sides of gaming are exacerbated by internet gaming. People that are compulsive gamblers would obviously avail themselves of this type of gaming. And while our gaming companies like to tout gaming as another form of entertainment, the fact is that somebody who sits around in their housecoat and their bunny slippers and loses their money via their credit card on their computer doesn't seem to me to be embracing the entertainment spirit that some of these companies espouse. Now, I would think that there would be a place for sports wagering or horse wagering on the internet, not dissimilar to how Nevada has allowed telephone accounts. However, just like anything else, if one legitimate company does it, and it's legal, I think the other companies would have to do it just because they have a duty to their shareholders to maximize shareholder value. And so these operators may think like I do, that it's not particularly a good idea but they're going to have to go for it just like everybody else. So it all depends on what the state of the law is. We had a number of companies look into this when Australia legalized internet gaming. And they came to the Board and said, "Look, we're thinking about doing it."

The Board told them, "Well, if you're licensed in a jurisdiction where it's legal and you're conducting business legally, I guess there's no way we can stop you." But there are so many unknowns. How do you prevent somebody from a jurisdiction where it's not permitted to access your site? How do you prevent minors from accessing your site? How do you know if some compulsive gambler is losing their life savings? And some of them said, "Well, we have safeguards." Some of them said, "We don't care."

And our response was, "Do it at your own peril. We're going to test you, and you'd better be on the up and up." Generally we were able to defeat their systems and get in and gamble from jurisdictions where it was not legal. And so most all of them had to back out of it. The technology is just not there to protect the citizens and the industry from illegal activity.

So internet gambling isn't legal in the United States anywhere?

Well, I don't know that you'll get anybody to say that. It's *believed* that it's not legal. The justice department believes that the current Wire Act prevents it; however, they won't give you a letter saying that. And so legitimate companies are reluctant to spend money to get up and running, because they don't whether the federal government will come down on them like a ton of bricks, or whether some attorney general out of one of these states will indict them for exposing gaming to their citizens. So there's such a cloud over the whole issue that no legitimate company can risk their license doing it. That's why you have all these off-shore or these fly-by-night companies. I mean, you can get on the computer right now and make a bet on probably twenty, thirty, forty sites, but they're all off-shore.

And, of course, there's no way of knowing how many people from Nevada or New Jersey or Mississippi

or anywhere are playing on the internet.

Right. A number of states have enacted legislation to prohibit the use of credit cards at these internet sites. But you can wire transfer money, or FedEx money, or do whatever you have to do.

Within the last year there were concerted efforts to eliminate wagering on college sporting events. Do you think that will ever happen?

Well, you never know. They had a pretty good following, and it looked like that bill was going to get passed. I think there was some arm twisting by Harry Reid, Dick Bryan, our congressional delegation, and Frank Fahrenkopf that got that thing killed. But it had some momentum for a while, and it looked like they might get that on, which I thought was very hypocritical. Almost every newspaper in the country carries the sports scores, and there's a hundred billion dollars, or whatever number you want to pick out of the air, being wagered illegally every week on these college games. Local law enforcement and the FBI would treat it with a wink and a nod. It is not a high-priority crime for them. All they wanted to do was pull the plug on Nevada.

Did it ever come to a vote?

No, it didn't. It disappeared. They had a lot of support. I think if it would have come to vote we would have lost. So, again, I don't know what they did, but they deserve credit for it.

Do you believe that it would have posed a serious problem for Nevada gaming if it would have passed?

Not really. It's only a small portion of the revenue; however, it generates a lot of interest and excitement. But while the revenues are not big, the people, just going to the casinos, while they're there making their sports bet, may do something else. It's just part of the whole entertainment package. [laughter] It's not a big deal to the bottom line itself; it's just what it's attached to.

Do you feel that it is important for the chairman of the Gaming Board and the chairman of the Gaming Commission to have a good working relationship?

[laughter] Well, there's always the good-natured rivalry between the Board and the Commission. And I think you know, Shannon Bybee had a saying that he may have shared with you: "The Board dispenses justice and the Commission dispenses mercy." So generally a couple of times a year the Commission will overturn the Board's recommendation. A lot of times it happens in the area of work cards, where they'll be more generous than the Board thinks is necessary, but over the years, it all has to do with the personality of the individual chairman. I mean, you'll have a commission chairman who just loves to tweak things and give it his own little personal touch. And sometimes if the board chairman is a strong personality, that'll just irk him no end, and so there will be, hopefully, good-natured ribbing back and forth. But generally I know in my tenure, the commission chairmen were very easy to get along with. I had worked with Bill Curran for years when he was with the district attorney's office. I didn't know Brian Sandoval before he came on the Commission, but he's a very bright, hard-working young man, and we got along fine. But I do know over the years there have been little rivalries between the Board and the

Commission. And as a matter of fact, Jerry Cunningham was so mad at the Commission he refused to go to a commission meeting for three years. But on the flip side, when Jerry retired, John O'Reilly, the chairman of the Commission, threw a big going-away party for Jerry at his house. So I don't think was any kind of long-lasting ill feelings.

Well, basically, isn't everybody working for the betterment of the state and the industry?

That's true. But out of the eight individuals that are on the Board and the Commission they generally wouldn't be in that position unless they had some kind of strong personalities or a little ego working for them.

* * * * *

During your term on the Board you had hundreds of applicants and their attorneys who appeared before you. If you were asked to give advice to an applicant or his attorney prior to their appearance in front of the Board or the Commission, what would you tell them?

Well, clearly you have to fully disclose everything that's requested. It became more complicated over the ten years that I was with the Board, because with the expansion of gaming, a gaming license—while it was still a privileged license and still only a select few were given a license—started to get more like a property right, and more people thought that it was just like any other license. When I first came on the Board, the experienced gaming attorneys were experienced enough to be able to weed out clients that they could tell were not going to be successful in the process, and say to them, "You're going to be wasting your money if you pursue this. Why don't we just try to fold our cards now and look for another type of business." So they really didn't bring too many unworthy applicants to the meetings. But through the 1990s and into the late 1990s, more attorneys started treating this more like a criminal attorney would, where, "Maybe my client's not the most stellar guy, but he deserves representation, and therefore, I'm going to take this to the mat, and maybe we'll sneak this by these guys." And so occasionally an attorney would bring in an applicant that I felt he knew darn good and well that this guy didn't have a snowball's chance in hell of being successful, but it was like, "Hey, pal, this is your nickel, let's see where it gets us." That did happen upon occasion. I guess my advice to the applicants would be: pay attention in the closing conference and listen to the areas of concern that the agents bring up and try to get those things resolved, and have some type of a solution worked out before you get to the Board and the Commission.

Would it be better to divulge any information he had as opposed to trying to keep it quiet?

Well, clearly, it's the kiss of death if you try to hide something, it just makes it much more sinister. A lot of times the Board and the Commission can live with the crime, but not with the fact that it wasn't disclosed or you attempted to hide it. There were some very high-profile applicants working for big companies that almost lost their license because they didn't divulge a DUI arrest. A DUI arrest in and of itself is not something that's going to preclude you from being in the industry, but the fact that you lie about it, and then lie about lying about it, just exacerbates the issue.

If you were asked to describe Steve DuCharme, chairman of the Gaming Control Board, what would you

say about him? What type of a chairman was he?

Well, I would say he is steady and dependable. I mean, “flashy” is not a term that you would want to use to describe the chairman of the Gaming Control Board. These huge publicly-traded companies need to know, and the stockholders need to know, that the regulation is going to be stable, that decisions are going to be logical, well-reasoned and not emotional. And I think the board chairman and the Board need to be fairly predictable. And so everybody in the industry knows the rules, knows what happens if you break the rules, and so you’re not out there shocking the operators, and you’re not shocking the shareholders, knows that things are on an even course, and everybody plays by the rules and the regulators are the referees. When I retired and somebody asked Bob Miller what he thought about my performance, he used the analogy that gaming regulators should be like a referee, and the best referees are the ones that you never notice. The game goes on, it moves consistently and you don’t even notice the guy in the striped shirt. And that’s what a good regulator should be, somebody that provides a solid foundation for the gaming industry to grow and to flourish, and yet maintain its reputation.

What do you feel were your greatest accomplishments when you were on the Board or when you were a chairman?

I think the thing I’m the proudest of is being able to convince Governor Guinn to support the large pay raise for the gaming agents that came out of the last legislature. Again, the employees of the Gaming Control Board had been losing ground to every other state agency and every other law enforcement agency for a number of years, and that one big kicker in the 2001 legislature was something that I was very proud of. And I’m very thankful that Governor Guinn took the time to sit down with us and listen to our problem and approve of our solution.

I think it was good for the state and good for the industry to retain the talented individuals that we had at the Gaming Control Board. There were people that had worked there for a number of years that had a lot of institutional knowledge, a lot of experience, a lot of skills, that wanted to stay, that liked the work, but couldn’t afford to because of other obligations and responsibilities. At some point they just can’t afford to be altruistic like Burke’s Law and doing it as a hobby.

When did you resign from the Board?

I left January 3, 2001, exactly ten years after I started. I left because my term was up and I had in excess of thirty years in the Public Employees Retirement System. It was a matter of do I sign up for another four years and put in thirty-five years in the system, or was it time to leave? I was looking at a big fight in the legislature over internet gaming, which I was not in favor of, and I was looking at some other issues that I just didn’t know if I had the energy to fight. Thirty years is enough for government service, and so I look forward to doing other things, and I’ve enjoyed my retirement so far.

At your retirement party Arthur Marshall, a member of the Gaming Commission, presented you with a watch. Would you tell us what he said when he presented you with the watch and how you responded?

[laughter] Well, as we talked earlier, there’s usually some good-natured ribbing between the Board and the Commission. When Mr. Marshall gave me the watch he followed it up with some

instructions on how to read the watch, and then told me that the little hand's on the hour and the big hand's on the minute. And I told him that I already knew that because I had been with the Board and not the Commission, and that he might have to explain it to his fellow commissioners, but board members already knew how to tell time.

Who was appointed to take your place?

Dennis Neilander. He'd been working for the state quite a while. He'd worked at the legislature and was an attorney for the legislature when Bill Bible recruited him to be the chief of the corporate securities division sometime around 1996, or maybe 1995. Dennis was the chief of corporate securities when I moved over to chairman, and Governor Miller appointed Dennis to fill out my term, which was only about four or five months. When Governor Guinn came in, two board members' terms were up and he appointed Bobby Siller to a four-year term and Dennis Neilander to a four-year term. Then when I left, Dennis took my position and Scott Scherer came over from the governor's office and filled out the Board.

You mentioned earlier the Patty Becker law that prevents, or restricts, people from going to work in the gaming industry until a year after they have left the Control Board. Your one year is now up. Have you gone to work in the gaming industry?

Yes, I have. Actually, when my cooling-off period expired, I signed a consulting agreement with WMS, a slot manufacturer out of Chicago, and I do compliance consulting for them. I have subsequently done some compliance consulting work for EXBER, Inc., which is the Jackie Gaughan properties downtown. I have been approached by a couple of other gaming companies, and even a tribe to assist them with some gaming regulations. So I am involved in the gaming industry to some extent, mostly on consulting. Occasionally gaming attorneys call me for either gaming consulting or to be an expert witness in some trial, so I do have some knowledge of the gaming industry that apparently is still valuable to someone.

In my police career, my twenty years as a policeman I couldn't get anybody to listen to me unless I bought them a beer. Then my last six months with the police department I was the public information officer, so I had all of these newscasters sticking microphones in my face every day asking me about this robbery or that robbery or that homicide. Then when I got on the Gaming Control Board I'm rubbing elbows with these CEOs and the board chairmen, and all of a sudden they're saying, "Well, what do you think about my advertising campaign?"

And I said, "You know, I got very bright overnight."

BERT GOLDWATER



Bert Goldwater was born in 1915 in San Francisco. Due to poor health, he was sent by his parents to Reno at the age of five to be raised by his grandparents. After attending Modesto Junior College and Stanford University, he graduated from the University of Nevada, Reno and in 1939 he earned a law degree from the University of Colorado at Boulder. He opened his first law office in 1939. Governor Grant Sawyer appointed him to the first Nevada Gaming Commission in October of 1959, but Goldwater stepped down in 1961 in order to chair the state's Equal Rights Commission, serving for one term. Working for a time in private practice, he was appointed as a U.S. Bankruptcy Judge by U.S. District Judge Bruce R. Thompson. Also serving as president of the Washoe County Bar Association and chairman of the State Board of Bar Examiners and the National Conference of Bar Examiners, Goldwater served as a U.S. bankruptcy judge until his death in 2006 at the age of 91.

Bert Goldwater. Photo courtesy of Cooks Photography, Reno.

Dwayne Kling: Good afternoon. My name is Dwayne Kling. It's August 25 in the year 2003. I'm with Judge Bert Goldwater in his offices in the federal building in Reno, Nevada.

Judge Goldwater, does the Oral History Program of the University of Nevada have your permission to make available to the public the tapes and transcripts of the oral history interviews that we are about to begin today?

Bert Goldwater: Yes, you have my permission.

Thank you. Judge Goldwater, when and where were you born?

I was born in San Francisco, California, on January 4, 1915.

Where did you receive your education?

Well, I came to Reno, or was sent to Reno, as a child because of my health when I was only four or five years old. So I had my early education in the grammar schools in Reno: the Mount Rose School, the Reno Junior High School. And then I went back and lived with my parents in Stockton, California, and I graduated from the Stockton High School. And from there I went to Modesto Junior College for about a year, and from Modesto Junior College to Stanford University. My health broke down there again, and so I came back to Reno, and I graduated from the University of Nevada and got my degree from the University of Nevada. Then I went on to law school in Colorado, and I finished law school in Colorado and got my L.L.B. from the University of Colorado at Boulder, Colorado.

What was your first job after getting your L.L.B.?

Well, I came back to Reno and I looked for a job. And I couldn't find any lawyer or law firm that would employ me, except I had a summer job while I was going to law school. But after I'd got my degree and took the bar exam, I opened my own office. Later on I would form partnerships with other lawyers.

What year did you open your first law office?

In 1939. When I took the bar exam I opened my first office.

Did you serve in the military?

No, I didn't, because of this asthma that I had in San Francisco, where I was born. I had it all my life. I was not fit for the service, and I was rejected.

In 1959 the Gaming Control Act was passed by the legislature. Would you tell us the importance of that act?

Well, it was important because there had been very loose control over gambling. Grant Sawyer was the one that helped introduce this legislation, which would give the state of Nevada a control and a way to discipline gambling and licensing. And I think it was most important to the state, because at that time—and for many years before and since—this state has been dependent upon gambling taxes for its support. And there was a lot of talk that licensing was not controlled and that it should be controlled. So I think the act was absolutely necessary for this state. And its passage put into force two levels of control: a gaming control commission and a gaming control board, with surveillance and investigation of all the applicants and control over the manner in which gambling was operated. So I think it was a very

important piece of legislation. Since gambling had been legalized it had never been under strict control as it was under this act.

So Governor Sawyer was sort of a visionary who could see more problems ahead?

That's right. There was a lot of criticism that some of the people who had licenses shouldn't have had licenses, and that taxes weren't being collected, and various rules and regulations weren't being enforced. He was the one who demonstrated to the state how important it was, and then he got it passed by the legislature and all set up.

Do you think that there was the possibility that gaming could have been made illegal again if it hadn't been for Sawyer?

No, I don't think so. I don't think it would have been made illegal. Gambling was instituted in order to raise money. In other words, this state became dependent upon gambling, gambling fees and gambling taxes for its income. And just recently it has been realized—in fact, the last legislature found—that the gambling taxes are insufficient to support the state. But for many years it was the *main* support of the state. I don't think it would have ever been made illegal. But it had to come under some control and some investigative powers.

Well, perhaps it pacified some people in the federal government that Nevada was showing the country that they were able to regulate gambling.

Well, that's right. There were a lot of complaints from the federal government, particularly in betting—horserace betting—interstate calls and placing bets on interstate races and so on. And so they had to meet some of these objections and some of these critics. There were some complaints that some of the people who held gambling licenses in Reno had nefarious conduct in other states, and were even convicted of crimes or something in other states, and here they were licensed. And so it was to clean up any possibility that there would be federal legislation which would outlaw gambling, in addition to supporting the state and keeping it under control.

Well, part of the act called for the creation of a gaming commission composed of five people. Do you recall who the first five men were?

I came on the first commission in October of 1959 and Mr. Keefer and Miles Pike were on the first commission. The others on the Commission in 1959 were Pete Walters, Norman Brown, and James Hotchkiss. I know Keefer was a lawyer, and Pete Walters was a real estate agent. We were all good Democrats. Well, Norman Brown, I think, was a Republican. I'm not sure, but I think he was Republican. He was a rancher.

Yes, wasn't he from Yerington or Smith Valley?

I think so. He was from a small town outside of Carson City.

The way I recall, you were named to replace Miles Pike?

No, I wasn't ever a replacement. I was on the original commission. I was aboard ship vacationing when I received a cable asking if I would accept the appointment from Governor Sawyer's office. And it was the first appointment. I didn't replace Miles Pike. Miles Pike, I think, was on the Supreme Court of Nevada. And yes, he resigned and Governor Sawyer had to appoint somebody else. And at that time, I think Governor Sawyer asked me if I would accept it, and I didn't want to accept the Supreme Court appointment. But that was past the time that I was on the Commission. Miles Pike resigned from the Supreme Court much later.

Do you feel that the knowledge of gaming industry or the lack of knowledge played a role in the selection of commissioners?

Well, it didn't in my case, because I didn't know anything about gambling. The reason I was appointed, I'm sure, is because I was a very strong worker for Governor Sawyer. And when he was elected he was showing me and the rest of the state that the Democrats were sticking together and he was going to appoint a Democrat. And he appointed me because I had been his worker. He rewarded me, sort of, by this appointment.

So he was showing his appreciation.

Yes! Yes, his appreciation for what I had done in his political campaign to become governor.

Had you ever run for an elective office?

I have only run for the office once. When I was a very young lawyer I ran for the assembly. And at that time I ran as a Republican and I lost. I never ran for office again. In my present office I was appointed, and I've never run for public office.

Do you think that geographical distribution was a factor in the governor's selection? Were some of the fellows from Las Vegas and some from Reno?

I don't know what Grant Sawyer had in mind. Norm Brown was from Yerington. Keefer was from Las Vegas. I think he tried to divide it up. He made Mr. Keefer the chairman, and I was a member of the Commission. And I think Keefer was a strong Democrat in Las Vegas. I don't know whether Pete Walters was in Elko at that time or not. Pete later came to Reno, but I think he might have been from Elko. And so there might have been a geographical distribution on the Commission. I'm not sure, but I think it must. And I think it would be a good idea to have had somebody from different parts of the state.

Where were the meetings held? Were they held in Carson or Las Vegas?

As I recall, they were all in Carson City. You know, it's a long time ago. It's over forty years. I don't remember we ever held a meeting in Las Vegas. All the meetings I seem to remember attending were in Carson City.

You were appointed to the Gaming Commission in 1959, then. Is that correct?

I don't know when it was. I'll take your word for it. I don't remember the exact year.

Well, 1959 was when the act was passed.

Well, I'm sure I was appointed right after that. Pursuant to the act, Sawyer created the Control Board, and Robbins Cahill was the chairman of the Control Board. And the commissioners were appointed by the governor.

Did you have much of a relationship with Robbins Cahill and with the Board?

Well, yes, because the Commission used to hear recommendations of the Control Board. The first application for a license was to the Control Board, and they made the investigation, and then gave us the recommendations. We didn't always follow their recommendations, but most of the time we did, because after all, they were the foot soldiers and they investigated the backgrounds of these applicants for licenses, and for transfer of licenses to different companies and corporations. So we took their advice, and we depended on them. They were our right hand and the Control Board was doing all the work. We didn't do any work in investigation. We just sat in judgment. A license would come up and we would turn to the members of the Control Board. I don't know whether Robbins Cahill in person advised us, but they would have somebody there from the Control Board who would then read a report to us or give us the benefit of their investigation. Some of these investigations were very detailed. They went into the home and background of all these licensees: they knew where they lived; they talked to their neighbors; they talked to their schools and the bankers and other business associates. It was very detailed.

Did you meet more than once a month?

We didn't meet regularly. When there was enough for us to do, we were given notice to come down there and meet. Keefer must have kept in control of it somehow or another. I got notice when there was a board meeting, and I'd come to Carson City and we'd sit as a commission.

That's interesting that there weren't enough things going on or enough things transpiring . . .

I think it was pretty regular. I think we would meet every month, but I don't think there was a fixed date.

Not like it is now, right?

I don't know what it is now.

Now it is a fixed date every month. Do you recall the monthly salary of a gaming commissioner?

We didn't get any salary, as I recall. I think it was a non-paying position. You were in the service

of the state. We might have got some kind of nominal fee of twenty-five dollars, but I'm not even sure of that, because I don't recall. All I had to do was travel from Reno, which was a minor thing.

But I'm sure Mr. Keefer, who used to come from Las Vegas, was reimbursed for his travel expenses, because he had to come by airplane or drive.

What were you doing when you were named to the Commission? Were you still in private practice in Reno?

Yes, I was. I was practicing law, but at the time I was asked to be on the Commission, I was actually on vacation in the Pacific aboard ship. And I came back and I had to make up my mind whether I'd accept this position. I had never even heard about it, but I discussed it with my then-wife, who is since deceased. And we decided it would be some kind of an honor and I cabled back that I would accept it. And so I was then given a formal certificate of appointment, and I attended the first meeting that Mr. Keefer must have told me about.

Yes, I imagine with something newly created like that, you weren't sure whether you wanted it or not. But, of course, if Governor Sawyer asked you . . .

My father, when I came back, tried to discourage me. He said, "It might be dangerous. You know, you're dealing with these people and some of them are in the underworld. It might be kind of dangerous." He was a little bit afraid for me to accept it. But I overruled him and I accepted it. I didn't think it was that much exposure to the underground, but he was just warning me. And he seemed to know a little bit more about the people who would ask for licenses than I did. [laughter]

Well, there were a few unsavory people around in those days, more so than today. [laughter]

Yes. And there were some that already had licenses who were members of some underworld back in Pittsburgh and New York and Detroit and so on. But somehow or other they would get licenses here where they were actually wanted by the authorities in other states. [laughter]

So how many hours a month did you think you spent on business? Just the meetings?

I don't think it was very much. The only time I really spent on the Commission was when I attended the meetings. The only work was the hearings, which sometime took a half a day and sometimes both the morning and the afternoon. But other than that I never spent any additional time.

You could read all the reports during the meeting?

I don't think they sent us reports in advance. During the meeting they would come up on the agenda. I don't remember doing any work on reports received in advance.

What gaming problems were you mainly concerned with during your time on the Commission?

Well, it goes back a long time, but I think it was mainly the transfer of licenses from one entity to

another, or from one person to another, and the initial licensing of individuals and corporations based on reports from the Control Board. It was mainly licensing. We had maybe a few other issues, but right now I don't recall any. When I left the Gaming Board I was on the Human Rights Commission. And on the Human Rights Commission we did have the issue of the gambling industry refusing service to black people. And that became an issue in the Human Rights Commission. But I don't recall that being an issue under the Gaming Commission.

When I was on the Gaming Commission, I don't know this to be a fact, but I'm assuming that I must have been too difficult to deal with. I was not easy on those who had records and backgrounds of criminal conduct or violations of laws of other states. And so the legislature amended the Gaming Commission law so that there would only be one person on the Commission from any single business or profession. And there were two of us; Keefer and I were both lawyers. So Grant Sawyer called me in and talked to me about this. And he said he'd have to get somebody else on the Commission, because we couldn't have two lawyers. I think the legislature amended the law because of me, because I was too difficult to deal with.

And so he said, "Would you accept the chairmanship of the Human Rights Commission?" which the legislature had just created, and I agreed to do that. I accepted the appointment as chairman of the Human Rights Commission. And almost immediately I had this problem before me of a gambling casino in Las Vegas that had refused to allow black people to place bets. Of course, it was understood no black person could *work* in there. But they were not even allowed to come in or place bets, or to gamble. And I called a meeting. I don't remember who was on that Human Rights Commission with me, but at least a couple of the members of the commission came to Las Vegas and sat with me and I held a hearing in the federal building or the post office. I had written letters to this casino to appear, and they didn't appear with any officer, but their attorney appeared, and he objected to our jurisdiction. And, of course, we had no subpoena powers. We had no rights to do anything. We had no authority to make any rule or order. We decided, I remember in that case, that they were violating the human rights of people, just as a decision of our Human Rights Commission. But it was ineffectual, because we had no way to enforce it.

You had no power.

We had no powers to enforce it. These casinos in Las Vegas—and I guess in Reno at the time, too—simply had a rule, an understanding, that they would employ only white people, and they would not allow any but white people to come in and gamble, or to sit at their restaurants, which was a terrible thing. I think that the Gaming Commission later on passed a rule that one of the conditions of the license was that anybody whose behavior was proper could come into a gambling casino. So what happened eventually was that the Gaming Commission itself made a condition of all the licenses that they had to observe the human rights ruling that you couldn't be excluded by reason of color or race.

Well, did that come about during or shortly after Lyndon B. Johnson started his . . . ?

Well, I don't know just when it came about. But as I say, I was on the Commission. Then the legislature met, probably in 1961. They amended the law and said only one person from each profession or business could be on the Commission. So I was off the Commission. That must have been about 1961, 1962. And Grant Sawyer put me on the Human Rights Commission. Then it was right about 1962, right in there, when I had this meeting, and I was rebuffed by this casino. I mean, they made it eminently clear

that they were not going to abide by our ruling because we had no powers to make them. So we just made our ruling that they shouldn't be doing this, but we couldn't do anything for the people who were complaining, who were there at the hearing.

Did you get complaints from other casinos, too, or just the one?

No, we just took action on this one case, because some black people made a complaint against this one casino, and it caused me to call a meeting right away of our Human Rights Commission. But we were totally ineffective. But the word got out, and as time went on—and I don't know whether Lyndon Johnson was president or not—the state of Nevada, through the Gaming Commission then in force made a rule that it was a condition of your license that you can't refuse service to anyone. And so it was teed off by our Human Rights Commission and put in effect by the Gaming Commission.

That's an important part of gaming history. And that's only forty years ago, roughly.

That's only forty years ago. Well, Nevada was known as "The Mississippi of the West," and service was refused arbitrarily against people like Filipinos and Mexicans, and blacks and so on. And it was a terrible, terrible situation, but it existed here and we have to face it. It's embarrassing to even mention it and call yourself a Nevadan.

Right.

Well, when you started out in the Commission like that in the early days, did you have to contend with problems such as not knowing what the Commission could do legally? Did you need to create new regulations and enact new laws?

You know, it's so long ago I don't recall exactly what we did and whether or not we ran into any problems. It seemed to me that we just kind of knew what we were supposed to do. We were supposed to pass judgment on the recommendations of the Control Board. And so we would hear their recommendations, and then we heard different appeals. Sometimes the Control Board would turn a man or a company down, and they would appeal to the Commission. And sometimes they would recommend someone to the Commission and then we would do that. But I don't remember the regulations. I don't think we had any litigation. I don't think we sued or anyone sued us as a commission—well, at least during the time I was on there, which wasn't very long. I was only on there until the next legislature met and kicked me off.

[laughter]

Well, in effect, you know. They said there could only be one person from one profession, and that meant I had to go, because Keefer was the chairman.

How long did you stay on the Human Rights Commission then?

For the term. I think it was a four-year term I stayed on there. But after that one hearing down in Las Vegas, there wasn't much that came up before us. And most of the things what we could do were

absolutely blocked by the fact that the statute created us but gave us no powers of enforcement, and gave us no subpoena powers, and gave us nothing to go on. And we didn't even have any appropriation. It was a sort of a bare law that didn't mean anything. So I stayed the term.

Do you feel it was easier for an individual to be licensed in the 1950s and 1960s than it is today?

Yes, I think so. As time goes on, I think they're cleaning up the gambling business. They have large corporations now that have a stock on the public exchanges, and they want to keep it as clean as possible. So I think it's very difficult today, and more difficult than it ever was, to get a license. And the investigation is more thorough, and, of course, it's exposed to the Securities and Exchange Commission for the stockholders of a casino. There's gambling all over the country now, and I think it's very difficult to get a license here. It was never loose. It wasn't loose when we were there. We required them to be clean as possible. But I think it's getting tighter and better all the time.

And today, I imagine, a lot of the investigation, like you say, is pertaining to financial things as much as anything, wouldn't you say?

Yes. And it's on a much bigger scale. There are multi-million-dollar casinos now. There were big casinos that existed in those days, too, but not as big as they are today. They're huge, and they're public corporations. Probably their whole staff has enlarged since I was there forty years ago. They probably have a huge staff today to investigate a big, multi-million-dollar casino. I've lost touch with it. [laughter]

You don't follow the gaming industry?

No, I don't.

You have enough things to follow here.

Oh, absolutely.

Do you recall was it much of a growth period when you were there in 1959 and 1960?

Yes, it was still in the post-war period. Things were picking up. The 1960s were picking up. People were investing in casinos and there were a lot of requests for licenses.

Do you recall having trouble with any unsavory element trying to get into gaming?

The only one I recall is a man named High.

Oh, David High?

David High. I think the Control Board turned him down. I'm not sure. But anyhow, the Commission turned him down. And he's the only one I really remember, and it was some kind of background that he had in New York—an association in New Jersey or New York. He came to my law

office to see me, not as a client but because he wanted to know whether he could do something about his rejection. And it was very difficult for me. I didn't know what to do with somebody coming to me personally; he's the only one who ever did that. He came to me personally in my law office and faced me with the fact that this is the only business he knew. It was the only way he could earn a living, and since childhood he'd almost done nothing but be in the gaming business—gambling. And he wanted to know if he couldn't persuade me to go to the Commission and make a little pitch for him and help him out, change our ruling. But I told him that it was impossible, that he shouldn't be talking to me individually because the ethics of it alone was bad and that I couldn't do anything for him, and that he would have to come in front of the Commission formally and give this pitch. In other words, request a re-hearing or something. I couldn't do anything for him. That's the only person I remember that really, really sticks in my mind. We rejected some licenses, I'm sure, and we approved some, and some were contested. There were some difficult ones where the source of the financing was questionable. We didn't want money from people who were unsavory either. We didn't want them indirectly to be investing.

Yes, hidden interests.

Yes, and getting into the casinos through the back door by putting money in but having the license held in another name. That was a thing we had to look out for. I don't remember who we rejected and who we didn't. [laughter] It's too long ago. But we did have some of those problems. I think that problem probably exists today, too, except for huge public corporations where there are large amounts of stock purchased. Still in all, they want to know who these blocks of stocks belong to, and whether or not they are some kind of a gang or people who wouldn't receive a license directly, who are indirectly holding stock and putting up the money. Those problems exist today same as they did when I was a commissioner.

Did Governor Sawyer take an active interest in following the commission hearings and the board hearings?

No, as far as I know, he didn't. He never told us what to do and he never attended. And we never told him what we did, and he didn't ask us what we did. No. He stood aloof from this commission. He said that he appointed them and they had a job to do, and they represented the State of Nevada and that was it. He never got into it.

Well, his famous saying is "Hang tough." Did he personally or verbally give those instructions?

I think that he did. I think he told us that when he swore us in. We were sworn in in his office. Our pictures were taken and all that. And I think he said first that he wanted Nevada to be as clean as possible. He knew that there would be a lot of criticism if we weren't, so he had that motto of, "Hang tough." [laughter] Do the right thing, no matter what it takes.

Well, you guys were kind of out on a limb, weren't you, when you think about it? Of course, you had the Gaming Control Board, but you five people had the final word on something that was going to establish a regulatory system in the state of Nevada.

Yes. Of course, now they have rules and regulations that we didn't even have set up then. I think the fees have changed. They have very strict rules and regulations now. In fact, I think people are experts on their regulations.

Oh, I'm sure they are. [laughter] Yes.

Yes, some people are.

Well, your first group was just kind of playing it by ear.

That's right. Just playing it by ear, trying to do the right thing. See, there was a method of licensing prior to our appointment, but this created two steps: the Control Board and then the Commission. In other words, kind of a final decision. And they were going to strain everything through there and make everything conform to the requirements of a strictly clean licensing process.

Do you figure the two-tiered system is one of the strong points of the system?

Well, it's not two-tiered so much as you've got this investigatory body, the Control Board. They investigate you. So they've got something to say because they've got all the facts. They conducted the investigation, and they've made determinations. So their recommendations are to be respected.

Yes, they've spent time and money and effort.

Yes. Maybe there are still questions. And maybe you don't agree with them, but still in all, they have laid the groundwork of giving you all the information they can about this individual or corporation or partnership that's applying for a license. So, yes, it's a very good idea. And they have a staff and they have an appropriation to do this. They send people all over.

Did the Commission even have a staff at all when you were on the Commission?

No, our commission had no staff. We had to rely on the Control Board for all investigation and all reports.

Do you recall any time when you went against the Board as far as their recommendation?

No, I don't. I don't know whether we disagreed or not, or whether it was a divided vote. I'm not sure now after all these years. I don't remember any of that. I think we all came to a unanimous conclusion.

This might be a tough question, but when you were on the Commission, what action or accomplishments are you most proud of?

Well, I personally didn't do anything. We acted as a body. And I don't know whether I can say I was proud of what we did. We just followed the legislative act of doing our duty to rule on whatever

came before us. And we tried to follow the admonition of the governor who told us that he wanted us to have the highest possible requirements to utilize the privilege that you would get from a license to run a gambling place or be in the business. Of course, since I was on the Gaming Commission, they have required everybody that works in gambling to have a license. I don't think we ever had that except for the key employees maybe. We didn't have a right to insist on a license for every employee.

Yes, that may have come later.

I think that did. All we did was license the operators. That was all we were going to do.

And actually, it's logical that some of the key employees should be licensed, working in a casino.

Yes. I don't know whether we had the control over licensing key employees or not. My recollection is that mainly we licensed only those who financed it and operated it.

Would you comment on the integrity and the honor of gaming regulators that have served Nevada since gaming was legalized?

Well, all I knew at that time was that we had these men I thought were people of integrity and very high honesty and ability. I don't know of any case in which somebody was influenced by another person or anything that was "under the table" or anything like that. As far as I know, Nevada's requirements have always been high and their enforcement has always been very clean and our requirements were either met or they were denied licenses. Whatever I have heard since then is hearsay and observation, and I have no reason to believe that's it's still anything but the highest standard. The only thing I can say is that it's been a long time since I was on that gaming commission, and I was only on there for a few years, because the legislature amended the law, as I explained to you earlier.

But it was a very good experience. I had never associated with people in the gambling business. The only one that I really knew was Bernie Einstoss. And I don't know if he was in the gambling business when I was there or not, but in general, it was a new world to me, these people that wanted gambling. Some of them only wanted slot machines—people who ran slot machines in various stores and service stations and bars and so on. So there were different classes of people. There were big casinos and there was big money in those big casinos, and then there were the little people that had a restaurant or a store or something and they had to have a license in order to rent a machine. So it was a new world to me and a very, very great experience.

And I was surprised at how often it touched people's lives, that they had to have a gaming license. A man that ran a restaurant would want somebody that had a slot machine route to put in a machine. He had to have a license to be there. They were going to divide the money, and so you had to trust these people that they would live up to their agreement of percentages and so on. But it didn't seem to be any problem. And in most of the cases there were no problems with the little guys. The problems that I noticed when I was there, as I remember, were the sources of money for the big casinos and the investments and the control and the persons behind it—their records, what they had done before. Because here was Nevada, the only state in the union at the time where you could get a license to have a casino, and they would come here from all over and apply for these licenses, which were a privilege from this state. They'd learned how to run gambling places in Florida and New York and Michigan and so they

were experienced in the gambling business. And in being in the gambling business, they had violated the law of the places where they were. We didn't hold that against them, unless they were actually convicted or they had reached the point where they had been barred by another state. We knew these people had to have experience to run the gambling and where would they get experience? They got experience in states where you don't have licensing. So they would be running gambling in clubs in Tampa and Fort Lauderdale and various places, and they had no license. They just paid fines for violating the law, a lot of them.

Or bribery and pay-off?

And we don't know about that. If we *did* know about that, and we knew that they had violated the law, I think we would have probably disallowed them. But most of the time we knew they had experience in illegal gambling. That's how they learned the business, and they wanted to come here and be licensed. And as long as they could produce a background showing that they would operate a very clean business, and they weren't convicted of crimes, we treated them favorably. But if they had a background where they had been law violators and been convicted of crimes, we looked at it askance. I don't know what we did in each case now. It's too long ago. But we'd try to review it carefully and be as fair as we could. I sense some people think we weren't fair, maybe, but I don't know. [laughter]

Well, as you mentioned earlier, David High saying he couldn't get a license, it's his whole life.

It was his whole life; it's all he knew. And for some reason or other, the Control Board blackballed him. And when it came out to us, we affirmed them. I don't know what had happened with him. There was something in his background, some conviction or something, and they just didn't like what he had done. I mean, his record was not clear, not *clean*. So he came to me to try to persuade me to personally do something about it, but, of course, I couldn't do anything as one member of the Commission.

And there had to be dozens of people like that, who felt that if they weren't licensed, what could they do? They knew nothing else.

Well, if they weren't licensed, they were out, that's all. They were just out. And there were so many people, as it turns out, that grew up in this world of bootleggers—those people in the 1920s, they learned a business of importing liquor, which was against the law all that time until the repeal of the Volstead Act and the amendment to the Constitution. All they knew was bringing in scotch and other liquors or making it themselves, and they violated the law. They were in the same position as those that learned gambling as young men and that was all they did all their lives in other states. And we had to consider that.

And I don't know what was wrong with High. I don't remember his record now. I don't remember the reasons why we didn't give him a license. I don't remember that at all. But I remember him being denied a license, and then his coming to my office to see if I couldn't change that ruling. And of course, I couldn't.

Your brother David was an attorney for several gaming clients, wasn't he?

Yes.

Did he ever come in front of the Commission when you served on it?

No. My brother David, who is deceased now, was a lawyer in Las Vegas and he had several gambling clients. But the question of licensing any of his clients never came up. He never appeared before our commission. Never. And if he had, I would have disqualified myself. No, nothing involving his practice of representing gamblers ever came before us. Apparently, he represented people who were already licensed.

After you left the Gaming Commission and the Human Rights Commission, did you go back into private law?

Well, I was in private law the whole time. I stayed in private law until the early 1970s, and I left private practice and became appointed by Bruce R. Thompson, United States District Judge, as the United States Bankruptcy Judge. And then in the early 1980s I left the position of U.S. Bankruptcy Judge. Well, I was actually a *referee* in bankruptcy. In those days they called us a referee. I left the referee's office of U.S. Bankruptcy in the early 1980s and I went back into private practice with Lionel Sawyer & Collins. I was there until I retired, in, I guess, the early 1990s. And after I was retired, Judge Zive, who had been at Lionel Sawyer & Collins, became the United States Bankruptcy Judge, and he asked if I would accept a recalled position and I said yes. And so he had me appointed by the then-authority, and then we were known as bankruptcy judges. I was recalled as a U.S. Bankruptcy judge sometime in early 1990, and I've been a recalled bankruptcy judge ever since. And that's where I am right now. [laughter]

Well, thank you very much for your time, Judge, and we'll get back to you later.

All right, fine. Thank you.

DENNIS GOMES



Dennis Gomes, born in San Jose, California in 1944, moved to Las Vegas in 1960. After graduating from Bishop Gorman High School, he earned a Bachelor of Science degree in accounting from Nevada Southern University (later to become the University of Nevada Las Vegas). After a decade of working in private industry, he earned a Master's Degree in business and finance from the University of Washington. A few years later Mr. Gomes applied for a position with the Nevada Gaming Control Board and after interviewing with governor-elect Michael O' Callaghan, he was selected to head up the audit division. Mr. Gomes soon created a special investigative team with the goal of "running the mob out of Las Vegas." Gomes' lengthy gaming career included associations with some of Las Vegas's and Atlantic City's largest hotel casinos and working relationships with gaming operators such as Donald Trump and Steve Wynn. He died in 2012.

Dennis Gomes. Photo courtesy of Dennis Gomes

Dwayne Kling: Good afternoon. My name is Dwayne Kling. It's July 17 in the year 2002. I'm with Dennis Gomes in his office in the Tropicana Hotel Casino in Las Vegas, Nevada. Dennis, does the University of Nevada Oral History Program have the right to tape these interviews today?

Dennis Gomes: Yes, they do.

Thank you very much. Dennis, when and where were you born?

I was born in San Jose, California, on January 11, 1944.

When did you come to Las Vegas?

I came to Las Vegas in approximately 1959 or 1960. I attended Bishop Gorman High School during my last two years and graduated.

What did you do when you got out of Bishop Gorman?

I got married right away and proceeded to have a child almost immediately, [laughter] and because of that had to work forty hours a week while I attended the University of Nevada at Las Vegas, which then was called Nevada Southern University. I worked to support my wife and child and also finish my degree in four years. I graduated in 1966 with a Bachelor of Science degree in accounting.

Did you go to work for an accounting firm shortly after that?

Yes, I went to work for the international firm of Peat, Marwick, Mitchell & Co., which then was the largest accounting firm in the world. And they sent me to Hawaii for my first job.

How did you like it in Hawaii?

It was pretty expensive. It had the highest cost of living area in the entire United States, and think my salary at the time was about six thousand dollars a year. [laughter] And I think by then I had two children. [laughter]

How long did you stay with that firm?

I was with Peat, Merrick for three years, and while there I obtained my C.P.A. certificate and became a supervising senior accountant for them within their audit section where I went around to audit clients and audited their books and records and internal control systems. I left there in 1969.

You left there to go to work with the Gaming Control Board?

No. I left there to go to graduate school. I was admitted to the University of Washington graduate school of business. I went there in 1969 and I think I graduated in 1971 with a master's degree in business with a specialty in finance. I did quite well there. I think my grade point average was 3.95. [laughter]

Well, that's pretty close to perfect.

Yes, I got all As and one B. [laughter]

So what did you do then?

As soon as I graduated I went to work for another international accounting firm, which also had a consulting service. Coopers & Lybrand was the name of the firm then, and I went to work as a management consultant in their MIS department. I did that for approximately a year, and during that one year, I applied for different law enforcement agencies, including the Nevada Gaming Control Board.

What precipitated your move towards gambling?

Well, during my whole career I really wanted to be an agent with the FBI. And when I finally got my master's degree and my C.P.A., which would enable me to go into the FBI, my wife at the time felt that the FBI salary was too low. I think they were starting at about twelve thousand dollars a year [laughter] and she didn't want me to take a cut in pay. I was already making fifteen thousand dollars a year for Coopers & Lybrand as a consultant, and she was not happy about that.

So I looked around for other agencies, and the opportunity arose to work for the Nevada Gaming Control Board. I learned about that through my father, who was a friend of a fellow by the name of George Brookman. George Brookman's wife was in the state assembly and she knew the newly-elected governor, "Mike" O'Callaghan, and felt that he should receive my application. She knew I wanted to get into law enforcement and that I had a strong financial background. So they delivered my application to the new governor, who had not yet taken office, and he eventually called for me to go down for an interview.

When I went for the interview, my brother was also being interviewed for a position with the state Health and Welfare Department. So we both flew down to Reno and then up to Carson City, and we went to Mike O'Callaghan's home in Carson City and had the interview. At that time Phil Hannifin was there, who, I guess, the governor had already determined would be chairman of the Gaming Control Board, and also a guy that was head of the welfare agency, George something—I can't remember his last name. He was there to talk about that. And we proceeded to have an interview with Mike O'Callaghan and Phil Hannifin and my brother and this George.

They asked me a lot of questions about my philosophy and my background, and told me if I took this job I'd have to go through police-type training—I forget what they called it. They explained to me that my function would be to audit casinos and to investigate casinos for skimming and organized crime infiltration and make sure that none of those things were occurring. And Mike O'Callaghan told me that he basically didn't owe the casino industry anything and that he really wanted to make sure it was cleaned up. He was aware that there were some problems associated with the industry, and that if I got the job I could just go in and clean it out. Phil Hannifin basically reiterated that same thing. I said that I was confident that I could do that, even though I had not had any law enforcement background, but I had extensive audit experience, that I realized that if there was organized crime infiltration that if you were able to follow money that would be the important thing, and that I would be willing to go through whatever law enforcement training I needed to, but that I was comfortable with it and confident that I could more than handle the job. And turned out that during the interview of my brother, they weren't crazy about his philosophy about welfare and things [laughter], and so they didn't select him. But ultimately they called me back and told me that I had the position. And I remember when the press release came out they were a little bit embarrassed because I was so young, so they added a couple of years onto my age. [laughter] I guess it could have been inadvertent, but I always felt that they were a little embarrassed that I was only, I think, twenty-six years old at the time. [laughter]

[laughter] And that was when?

Nineteen seventy-one, I think.

And were you hired as head of the audit division?

I was hired as head of the audit division, which either included a special investigations unit or I established a special investigations unit. It ultimately became audit and special investigations. They didn't really put any parameters on me. I started there and I remember walking in and there were a couple of guys—one guy was seventy-two years old and the other guys were fairly old and had been around a long time. And their orientation was basically auditing revenue records. The first thing I did was form an intelligence unit. They gave me free hand to hire and do anything I wanted to, and I hired a guy that was a former FBI agent, and I set him working on gathering intelligence with respect to all the casinos. I had him do summaries with respect to all the major licensees so I could get an idea of what their backgrounds were, and also have some ideas in terms of priorities, where I would need to concentrate my efforts. I also established procedures, investigative and audit procedures, and I was responsible for investigating and determining the source of loan funds to the casinos. That was a whole ongoing process. And also, I felt that I was understaffed. I think at the time I only had six agents for the entire state.

By the time I finished gathering the intelligence information, I realized that we had some big problems, that basically a great number of the casinos, if not the majority of them—of the large ones—were controlled by organized crime. It was at least my opinion that that was true at the time based on the information that I had. And I felt that I needed a lot more manpower and a different type of agent. So the first thing they did, they sent me to what I think was called “post school.” It was a law enforcement training and standards thing. It's sort of like a police academy-type thing, but it was not extensive. I can't remember how many weeks it was, but I had to go, and they had FBI people that talked to us, and they had training of one kind or another in dealing with the rules of evidence, and taught us firearms. We had to go out on the firing range and do a lot of shooting.

Where was it located?

The Clark County Sheriff's Department firing range was where we did a lot of that stuff. And they'd set up ambushes and so on, and basically taught you the law enforcement elements of the job. It was fairly extensive. They even taught us how to investigate traffic accidents. *[laughter]* It was quite lengthy.

It was after I had gone to the legislature and got permission to hire quite a few more agents. I can't remember how many I had exactly at that time, but at one point in time I remember I had about sixty agents. Most of the men had law enforcement backgrounds. Or if they didn't, they were trained by this peace officer training program. And we were all sworn in as peace officers and had the right to carry weapons and so on, which I would limit depending on the need for it with the respect to the agents. But the interesting thing was I was trying to create a hybrid agent, a guy that would have an equal facility in the financial as well as the law enforcement aspects of the job. There was a lot of resistance by some of the other divisions that were made up of mostly cops, traditional cops that came off the street—police officers. And I remember in particular the enforcement division, they were always making fun of my

guys. They knew we were going to be going to this peace officer training program, and so they were making fun of guys that they regarded as accountants. Even though a lot of my guys were ex-FBI agents and ex-IRS intelligence agents, they just kept saying that we were accountants and we were going to shoot our feet off when we went to the firing range.

So I had everybody buy their weapons, and before we went to this training program, we went out to local firing ranges, and we practiced and practiced and practiced and practiced until every one of us were pretty good shots on firing ranges, sort of like a combat course where they use the body silhouettes. And we didn't tell anybody else that we were doing this because I wanted to have a good showing at this training program. So when we went through the training program my guys did very well, and they taught us some self-defense things, and it was how I first got an interest in martial arts. I'm now a master in Karate, a fourth-degree black belt in Tong Soo Do and a second-degree black belt in Hapkido. And I've done a lot of other types of martial arts, including grappling, Jujutsu, and Kung Fu, and some other things. But it started all way back then.

But during the course of this training, I remember an interesting thing. Everybody was lined up on this firing range and the range master said, "OK, draw your weapons," and the cops from the enforcement division were kind of smirking and laughing because they thought that we were going to really look bad and they were going to show us up. By the time the smoke cleared, every one of my agents had their shots all in nice compact little patterns and some of the other guys, some of the traditional cops, weren't even hitting their targets. [laughter] So we kind of shut them up, and everybody was real proud of themselves and we celebrated after that. The accountants basically showed up the cops, and it was just the beginning. I mean, we were establishing a camaraderie and esprit de corps that, I think, began in those early days in that school and extended into our investigative life that we conducted after that.

So some of you have stayed together for years"

Oh, yes. I still have some of them working for me. And we began in a small way. We did a lot of work, we gathered intelligence, and we worked closely with the investigation division that was headed by Tom Carrigan. I worked very closely with him. When you're a police officer and you go to work, say you're in a patrol division, you've got an experienced guy that teaches you some things and gives you pointers. Well, Tom Carrigan was head of the investigations division. And maybe initially it wasn't the enforcement division, but whatever it was, he gave me a lot of guidance, and he would utilize me and my agents for different things. We worked together on a lot of things. I remember one of the first things we did was a surprise count room examination, where we had the place under surveillance, and we conducted a raid together with Tom Carrigan's group of people. I caught the owner of this small casino in northern Nevada, in Reno, skimming money with a double set of books. It was an interesting thing: he had the drop bag, he opened it up and he poured the money out, and he threw the bag in the corner. [laughter]

[laughter]

So we counted the money, and I said, "What else is in the bag?"

And he said, "Nothing."

So I said, "Hold it upside down by the bottom." He held it upside down and I said, "Now shake it," and out popped these two little books. And they had all the real numbers in them, versus the ones that he was recording. So we had all the evidence we needed to show that he'd been skimming money.

Tom Carrigan was pretty impressed with our work. Phil Hannifin was very impressed with it, and that was sort of the beginning of enlightenment of the top people, like Phil Hannifin and the board members, as to what guys with financial backgrounds and law enforcement training could do. In terms of skimming and organized crime involvement, things of that nature, that was the beginning. So Phil Hannifin kind of gave me a free reign. Shannon Bybee was my immediate boss in Las Vegas, and Shannon and I worked very, very closely together. We were like partners in all this. I didn't delegate very well in those days, so I basically went out and did most of the investigations myself, particularly the key ones. I did most of the interrogations and everything, and I got total support from Shannon Bybee. We planned a strategy and everything.

And one by one we just began getting into some of the big operators. The Tropicana was one; then the Aladdin was coming in for licensing. Caesars Palace is another one. There was an investigation there that I personally handled that began with a loan of money that went into Caesars Palace. Since I was responsible for investigating the loan, I found out that the money was coming from a particular corporation. I can't remember if it was an insurance company or what it was. It was a company that was something investments. It was a lot of money. I pursued this company, and when we tracked it, it didn't really show who the owners were, but I remember the address where it was registered, and that particular address looked familiar to me. I couldn't place it. And when I checked out the address once I found it, it was the address of a guy by the name of Alvin Malnik.

Alvin Malnik was an associate of Meyer Lansky. He was Meyer Lansky's protégé to take over all of Meyer Lansky's stuff. He had a really bad background. He was an attorney that helped control the mob's money in the Bahamas and Europe and I believe even in Havana. And this address was his business address and restaurant. It was the Forge Restaurant in Miami. So once we realized the money was coming from Alvin Malnik, then we investigated it and found that the way the money originated is they sold this Skylight Country Club to this Alvin Malnik, and his money came into Caesars Palace, and it was in terms of some very complex cash flow. It was a ton of money that was going back out to him through that, and then subsequently some of it was loaned back to the corporation. So it was some major transactions. Taking the license away from Caesars Palace would have been a big thing and politically it was pretty tough, I guess. I remember Phil Hannifin made the comment to me when I gave him this this investigative report—it was very complex and showed all this involvement with Alvin Malnik and all this money going out to him, and Phil Hannifin always wanted to do the right thing—he said, "Geez! You shit in my backyard and now I've got to clean it up." [laughter]

[laughter]

So the Commission ended up putting all kinds of requirements, or at least the Division recommended requirements, contingencies on Caesars Palace's license that if they ever did business with Alvin Malnik again they'd take their license away. And the Perlman brothers owned Caesars Palace, I think, at that time. Well, in later years subsequent to that, we found another transaction. It was very similar, and it turned out they were doing the same thing with Alvin Malnik. So I said, "OK, now it's time to take his license away." They completely defied the contingency. And I was very upset at the time because they never did take Caesars Palace's license away. In fact, it wasn't until the Perlmans applied for a license in New Jersey that the Division of Gaming Enforcement in New Jersey, who later on I went to work for, took action. They had a copy of my investigation, that original one, which Caesars Palace had tried to discredit at the time—I had subsequently left law enforcement—by saying I saw a mob guy

behind every bush.

But right during the course of that investigation, they had an ABSCAM FBI investigation in New Jersey where Alvin Malnik came in and was trying to get funds from some supposed Arabs who were really FBI agents. And Alvin Malnik was explaining to them all the things they're doing at Caesars Palace, [laughter] and how they're changing this and changing that, basically talking as if he was an owner of Caesars Palace. So that ABSCAM investigation, together with my old investigation that was alleging all these same things, showing that there were all these financial transactions between the Perlmans and Caesars Palace and Alvin Malnik—together, that was like confirmation of my investigation. So it caused the Perlmans and Caesars to be denied a license then in the state of New Jersey, although they gave Caesars a license. They kicked the Perlmans out of it and made them sell the company. So that basically cleaned up Caesars Palace, and cleaned the mob out of Caesars Palace because they were gone. Although they did hate me.

[laughter]

During the course of that Alvin Malnik investigation of Caesars I was flying to New Jersey to become the new chief of investigations. I was chief of the special investigations bureau for the Division of Gaming Enforcement in New Jersey. They hired me to do that. And the newspapers quoted Harry Wald, who was head of Caesars at the time, as saying he hoped my plane crashed.

Boy.

Yes. So they weren't real happy with me at the time.

Did you actually ever get threatened physically?

Oh, yes. I received a phone call one time from a guy that was an oddball thing. I can't even remember the nature of it, but the guy was threatening me and my family, and I was getting a little nervous. I was carrying my gun with me all the time when I was receiving these threats. I think he actually worked at the Hilton. I can't remember what his name was. But he was at a pretty high level. There was lots of information around about him threatening people with knives and things like that. And I worried about it for a while, and then I just forgot about it and quit worrying about it. And in the meantime he got arrested and he was convicted of a contract murder and sent to prison. The problem was, though, on a subsequent appeal, because he wasn't properly advised of his rights, that tainted the whole case, and it got thrown out and he got let out of jail. Thankfully he never did come after me. But I was a little worried during the course of those things.

And during the Stardust investigation there were a lot of mob cases we were working. We were just sweeping through the gaming industry, and we also were placed in charge of the financial portion of applicant investigations, following the applicants' money. We were causing a lot of licenses to be denied by finding mob connections and with financial transactions and a lot of background stuff.

This is when you were working with Phil?

Yes, with Phil Hannifin and Shannon Bybee. And we caused one denial after another. It seemed

like a continuous thing. And because they had never done a financial background—that was typically the investigations division’s purview—I had proposed to Phil Hannifin and Shannon Bybee that because we had financial expertise and they didn’t, that became our investigative responsibility. I started that as a normal procedure. Prior to that they had never traced funds, if you can believe that. They never traced any funds. All they would do, if funds were coming in to a licensee, they would merely call the bank and confirm that the bank had the funds; that was it.

They didn’t say where it came from, right?

No, had no idea where it came from. And I proposed this and told them it was a flaw, and they all agreed, and Phil Hannifin let me create this whole section. After we had a lot of successes with this, eventually, they split that off from my agency and gave it back to investigations and took some of my agents that I’d trained to do that. At the time I was a little upset and told Phil Hannifin that I was going to quit . . . [laughter]

[laughter]

. . . and he says, “Well, don’t let the doorknob hit you in the ass. You can leave.” And so I changed my mind [laughter] and decided to stay. I went back and told my agents, “You know what, we might not be involved in applicant investigations anymore, but they’re not going to be able to do what we could do. And all that’s going to mean is we’re going to have more to do with the existing licensed people ferreting out organized crime that got past investigations.” [laughter] And it was sort of a competitive thing where we felt that we were better, and maybe it’s competitiveness and elitism. We thought a lot of ourselves at the time. And I remember at one point they licensed a guy by the name of Allen Glick. We did a little bit of that investigation, but we were kept out of big pieces of it, because it really wasn’t all of our purview any longer. But we did some of it.

This was when Allen Glick was trying to get licensed at which property?

I think the Hacienda was his first one. And I think we did a fairly extensive background. There was a lot of stuff but nothing strong enough to get him denied a gaming license.

Did you have a gut feeling that there was something wrong?

Yes, I thought he was dirty from the beginning. I thought it was bad, but he kind of insinuated himself into Nevada society and became close with all the politicians, with everybody around. People just trusted him, and he was a very articulate, intelligent guy. I believe we participated in his initial investigation, and at one point were pulled off. And when he bought, I think, the Marina, I wanted to go down and investigate the source of his funds, that big financial deal that he had in Mexico, and we were never allowed to do that. In fact, I believe Shannon Bybee and Phil Hannifin went down there, and Jack Stratton went down to Mexico to do this, and I remember saying, “You know what, that really irritates me because they don’t have the financial expertise to do it. They won’t even know what they’re looking at.” I was talking about Allen Glick and how we weren’t able to go trace his transactions. And the board members went, and that didn’t allow us to do it. And I remember I was very angry. Their intentions were

good, and there was integrity there. I mean, Phil Hannifin and Shannon Bybee had extremely high integrity, just really good people, but I remember at the time, I said, "That would be like me going down to handle a trial someplace not being an attorney. They have no idea what they're looking at, and they're not really going to be able to trace the funds." And they came back and said everything was OK, but I remember I was skeptical that they really didn't know what they were looking at.

Then at some point in time they removed us from background investigations of applicants, so I said, "Well, it's just going to give us more to investigate when people become licensed, more to go after." I always felt like Allen Glick was dirty, and I had in my mind that I was going to catch him, because he wasn't going to get away with this. And then just the way he got his money, he got it from the Teamsters for the Stardust when he bought that, and everyone was aware that the Teamsters pension fund was controlled by the mob. And so it just confirmed to me that this was a mob guy, and it gave me even more determination to find out how they were getting money out of the place, and how they were skimming, and what their connections were, and to stop it.

Were Sachs and Tobman and Rosenthal working for Glick at the time?

Well, now the funny thing is Sachs and Tobman were. And Al Sachs, I liked. I thought he was a likeable guy who treated people right. I liked Tobman, too. But Frank Rosenthal came in, and now all of a sudden there was in-fighting in the company; they started fighting about who was going to control what.

Rosenthal and Glick were fighting?

It was Sachs and Tobman against Rosenthal.

Two to one.

Yes. And so finally, Sachs and Tobman left; they resigned from their positions and they were gone. And it was Rosenthal and Glick. Of course, then I had a huge intelligence network of people, and I was getting information bit by bit. I was really concentrating on this because although we had other investigations going that we were successful at, this was the big one to me. As I was gathering intelligence, I gathered more information that confirmed to me that this was organized crime and they were skimming.

Were you gathering some of this information from informants and some from your team?

Yes. A lot from informants, a lot from snitches I had, and a lot through our agents that were out gathering information and bringing in various facts.

Yes, your personal team.

Yes. And a lot of things would happen that were strange. I had people who were working in places who were telling me things, too. I mean, no one ever said, "Yes, they're skimming money," but there were things that just seemed unreasonable that were happening. I started analyzing the theoretical win statistics of the slot machines versus what they were holding, and they were holding so far less than

they were designed to hold that I knew something was wrong. And I kept sending agents out to check the scales and things to see if they were underweighing coin or something. Every time they'd go out there they'd come back and say they were fine. And I think Carl Thomas may have involved in that place for a while, too. He was at Circus Circus with a guy by the name of Jay Sarno, and I had a snitch right in the place who was telling me that they were skimming money out of there. And this was way before the Stardust. This was like a year or so before.

I set up the surveillance across the street at the Riviera. I was forced into using an enforcement division agent. His name was Bob Everett. And I didn't want to use him because one time on a raid of a sportsbook he panicked and disappeared, and after all the heat and everything was passed, he told me that he was following somebody in a car, and I realized he just didn't show up because he was afraid. And so I didn't really have a lot of faith in him. But either Shannon Bybee or Phil Hannifin or one of them forced me to use this guy, because they wanted me to be cooperative in terms of the other divisions. And, of course, they didn't know anything. At the level I was at, I had more knowledge of these guys, and they were good enforcement agents, too, but we just had our own group of guys that we trusted and didn't trust anybody else. And this particular agent was sitting in the parking lot and a metro cop came by and said, "What are you doing?" because somebody called. The metro guy that came was a guy that was in an intelligence unit for metro that I've always felt had too close of a relationship with the bad guys in town.

Well, my snitch calls me the next day and says, "You might as well forget your investigation because we just got word from Carl Thomas that we better stop, that what we're doing is skimming." They were skimming out of the count room the same way later on they were doing at the Stardust. "They've got to stop this because the Gaming Control Board is onto it and it's monitoring it from across the street." They'd paid this guy from metropolitan police department two thousand dollars for this information. So that was the end of that, right? And so now I'm pursuing it a year or so later at these other places, and every time I'd sent agents out to these count rooms to do the surprise I wanted them to test the scales to see if they were underweighing, because I had a hypothesis that they were underweighing coins, somehow stealing it. And every time they'd test the scales, they'd come out accurate. I'd get the guys back, and I'd say, "*Can't be.*" And I couldn't go out there because I didn't want to put too much emphasis on this because I didn't want them to think that I had any information about what was going on, which I did, or I didn't want to put so much heat on it that they would stop like the other place did, and then I wouldn't be able to catch them. And then I find out that one of the agents in the enforcement division was getting money and furniture and things like that from Jay Vandermark that controlled the Stardust slot operations. So then I realized why every time we'd come out there the scales were working so well.
[laughter]

They knew you were coming.

They knew we were coming. That one agent never got prosecuted or anything. I don't know if he got kicked out or what happened. But it just made me not trust anybody even more so.

And then there was another point. I was investigating every possible aspect of the Stardust that I could find. There was a transaction where a bunch of slot machines were sold. Well, it turns out they were stolen. The proceeds of the slot machines were never turned over to the company, and they were picked up by the chief financial guy and the money was supposedly given to bribe public officials. And that we couldn't confirm. That was what a snitch was telling us, but we had no proof of that so we couldn't do anything with that part of it. But we had confirmation, basically, that the money was never turned over to

the company. And I couldn't get anybody interested in prosecuting that. But it turns out that my investigation, this extremely confidential report that I had, was given by someone high up in our agency to Allen Glick. And I'm not going to say who gave it because I respect the guy a lot. I think what happened was he was just completely convinced by Allen Glick that Allen Glick was a victim—a smart guy, but a victim—and he trusted him. So he gave him this report, I think, to try to tell him what his own guys were doing to him. And the report was brought to him by one of the guys from the enforcement division who I was close to, and he told me he brought it on another guy's behalf. He was told to do it.

So then I knew that for whatever reasons, everybody trusted this guy too much, and then I couldn't tell anybody anything. And I didn't know, at that point, who to trust. I knew that Shannon Bybee and Phil Hannifin were totally honest people, but I didn't know who trusted who. And I didn't trust Allen Glick at all. So I didn't know what to do with the rest of my investigation. I wanted to trap this guy, but I didn't want to be giving information that might inadvertently get into the wrong hands. I knew the one agent was taking stuff from them, and I knew that people high up trusted Allen Glick when I didn't think he should be trusted. So I was in a dilemma.

Then in the meantime, I remember, I got one bit of information. A guy comes in and he's telling us the system that they used at the Stardust Hotel to bring coin to the change booths. And the system was one that incorporated a change bank in the middle of the casino that they filled with coin, and that they then used that change bank to sell coin to all the booths, to replenish them as they got low on coin. Now, this same system was used by the Hilton, so it's no big deal in itself that it was used, but I went and checked the Reg [Regulation] 6 filing, which is where they file their system of internal controls, and I looked through it and realized that that particular aspect of the system wasn't included in their reported system. So I thought, you know, it might be used in some places, but why weren't they reporting it in their Reg 6 filing? Why isn't it included in the system? I sat down with an agent and I said, "Why don't we figure out what could possibly be done with that bank?" I said, "Why wouldn't they report it to us if it's legitimate? If it's not legitimate, how could they use it to skim money?" So I developed a hypothesis of how I thought they could use this fund to skim money. And my hypothesis was this: if they undercounted coin in the coin room with bad scales, then how could they convert that undercount? You know, once they undercount coin the coin is sitting there, and it means it's not counted and they could steal it.

But how do you carry coin out of a place? You can't. I mean, too many people would see you. So what you'd have to do is convert that coin to cash. And I said, "OK, if they have a bank of coin out there, if they could get this uncounted coin into that bank of coin that they sell to the change booths—by "selling," I mean they transfer the change booths and bring back currency—bring back cash from the change booths and as the change booths sell coin all day and accumulate cash, then you come and get the cash and leave them the same amount of coins. So those change booths are always an imprest basis. And this booth, if all the coin going to that booth was skimmed-off coin, what a perfect way to convert that coin to currency by exchanging it for the cash in the booths and then you just take the cash." So once I figured that out I thought I was really onto something. I didn't say anything to anybody. I got one guy. His name was Dick Law. He was my agent. He was an attorney and a C.P.A. I said, "Dick, I don't want to tell anybody that we're going out to do this raid. But we have a requirement where we can't do a raid without telling a board member unless it's an emergency and we can't get ahold of him, and then we could do it. And, in fact, I totally trust the board members. Shannon Bybee and Phil Hannifin have been the biggest supporters of ours and have helped us do all these things, and their hearts are in the right place, but I don't know who they might tell or who might learn it from a secretary or anything, or who

they might trust, and wrongfully trust, or it could be another division chief.” I didn’t know who to trust anymore. I trusted their integrity and their ability, but I was a little paranoid at the time. So I said, “OK, this is the plan. We’re not going to tell anybody, and we’re going to wait until they’re in Carson City for a meeting and they can’t be gotten ahold of.” They didn’t have cell phones and things. “So we’ll just go do our raid then and say that we couldn’t get in touch with them, that it was an emergency because we had this information where we thought maybe they had something going with this booth, and once we do that, then we’ll fill them in after.”

So it was just you and Dick Law?

Yes, it was just me and Dick Law. There may have been one other agent, because we did some surveillances first of Jay Vandermark’s house and the slot manager at the Stardust. We had him under surveillance for quite a few hours. We basically followed him. We followed him into the hotel, and it was early in the morning, I think, on graveyard. I had couple of agents back on surveillance, and I went out and checked on them a couple of times when we came back to the casino. And me and Dick Law walked into the casino and we approached slot people and we said, “We want to see your auxiliary bank.” We didn’t know what else to call it.

And he says, “Well, I better get the slot manager.” So he calls the slot manager at home.

Vandermark?

No, Vandermark was over *all* slots. This was the slot manager from the Stardust. And he says, “They’re saying they’re asking for . . .” I think I called it the “special fund,” or “special bank.” I forget what I called it. And so the slot manager gets on the phone. He says, “We don’t have any special bank.” And I didn’t even know for sure—this was still all a hypothesis—so I just bullshitted this guy and I started yelling at him and I said, “You know, I don’t give a shit what you call it. It’s not semantics we’re dealing with here.” I said, “I want you to take me to the bank that you have on the floor that I know you have”—and it wasn’t in their system, so I didn’t know for sure—some snitch told me this—“that you sell coin to all the booths from.” I said, “I don’t give a shit what you call it. I know it’s there. Take me to it.”

He says, “OK,” right? He says, “I’ll be right down.”

And he comes down, but in the meantime, I found out later he called Jay Vandermark, and Jay Vandermark said, “Don’t give him a key to the back.” And so we go back there. The guy comes in and he’s shaking like a leaf, and he takes me to it. Now I *know* I’m onto something because this guy’s shaking so bad he couldn’t talk or anything. He takes me to the back of this big bank, this big booth that was right in the middle of the casino. And he opens it up and there’s two sides to it. One is stacked with coin in cans. It’s all wrapped coin. And the other side, it was locked, and it’s got a slot in it. And I said, “What’s that?”

And he says, “Well, when we sell this coin from back here to the booth—to the change booth—the envelope we get of hundred-dollar bills we put in that slot. And the only person who has a key to that is Jay Vandermark. He comes around and collects the money.” Or wait, no. First they tried to tell me that money went back to the cage. And I proved by checking cage records and I had their chief financial officer come down at four in the morning or something and bring me the general ledger and show me that there was no entry for this money that was out in the casino. So it turns out the coin wasn’t accounted for anyplace, so that meant it was skimmed-off coin. It wasn’t on the cage’s accountability and it wasn’t in

the general ledger. And whatever was in this other drawer of envelopes wasn't accounted for anywhere, and they said they didn't have a key for it. So I remember saying, "You better open that or I'm going to drill the f-ing thing," right? They wouldn't get me a key. And Jay Vandermark told the slot manager, I learned later on, "Tell him to go f___ himself," and Jay Vandermark took off. He fled the country. And the other guy wouldn't talk to me. He refused. I read him his rights and that was it for him. And I called engineering there and told them to drill the thing open. Drill it open and here are all these stacks of envelopes loaded with hundred-dollar bills, and it wasn't on accountability anywhere. So my whole theory was right and I caught them red-handed with all the skimmed money.

That's when the thing started, and we ran to all the other three places and we found the same system in existence at all three places. So that was the beginning of the end for them. And, of course, the phone calls were flying around like crazy. Phil Hannifin called me, and Shannon Bybee called me. No, I called Shannon Bybee, but Phil Hannifin called me. And my friend in the enforcement division said the switchboard—it was a twenty-four-hour switchboard—had calls everywhere, just flying all around the place. And Allen Glick, I think, told Phil Hannifin I was acting like a Gestapo agent or something. But I had all the goods. I had confiscated all that money and took it back. It went into evidence and we began our investigation. We began with a series of interrogations.

Now, a lot of things started happening. One thing was there was a woman by the name of Tamara Rand. She was the wife of a prominent surgeon in San Diego, and she had provided five hundred thousand dollars of the initial two million dollars that Allen Glick had to put up to buy the Stardust. It was earnest money. And in return for that, he had promised her ten percent interest in the Stardust. She had invested in real estate with Allen Glick before. So during the course of our investigation we found out that she was all upset with Allen Glick because she's not getting her ten percent interest. And so we kept pushing on that one and pushing on it, and finally she agreed that she would talk to us and I had heard that she was threatening Allen Glick that she was going to tell things she knew if she didn't get her ten percent interest. Well, she basically agreed to talk to us, but before I could get down to her place to talk to her, they found her in her kitchen in San Diego with five bullets in her head. She was killed.

And then the casino had kept trying to say, all the big officials—Mooney was the guy's name. He was a Mormon guy that was the chief financial officer there—he kept saying that Jay Vandermark went on vacation. And I said, "Show me the slip that he's scheduled to go on vacation." There wasn't any.

And then he says, "No, we didn't do the paperwork. He just left."

Well, he fled the country. They kept saying they didn't know where he was. And I was trying to find him because I figured they'd kill him, because in the meantime, I had another snitch that was coming to me telling me things that were part of the Crazy Horse. He owned the Crazy Horse striptease place. But he was associated with these people and he was telling me stuff. And he kept coming to my office. I said, "Don't come to my office anymore because these guys will hurt you."

And he says, "No, I've worked with them my whole life. They won't hurt me."

Well, I said, "OK, if you come I'm not talking to you anyway, so don't waste your time," because I didn't want to be responsible for him getting killed. Well, two or three weeks later, they find his body out in the desert in Las Vegas and they find his head in California. I can't remember exactly, but I think it may have been on the freeway looking at traffic or something.

And you don't remember his name?

No, but I do remember he owned the Crazy Horse. If you mentioned his name I'd be able to

confirm it.

How about Vandermark?

I figured they'd get Vandermark, but he was key because he could tie together these guys in all the four places, because he was in charge of *all* of it. And he's the one that would get this money together, and according to our intelligence information, he'd give it to Frank Rosenthal. And Frank Rosenthal had orchestrated this whole thing. Meanwhile, I had different aspects of the investigation. At one point I raided their book and I found excess money sitting there, and Frank Rosenthal came down and stood trying to talk to me and put the muscle on me about this money, because I was taking this money, and it was the same situation. I thought it was just excess money, but one of the guys—I forget the guy that operated it—he was crying because he said it was his personal money and I took it anyway. I can't remember his name. But at that point in time Frank Rosenthal told Allen Glick this, and Allen Glick was accusing me. And Phil Hannifin called me and was laughing about it and saying—he was very supportive—but he said, "That Allen Glick called me and said that you're acting like a Gestapo agent or something, you're throwing your weight around." And Phil Hannifin said, "Keep up the good work," or something like that. [laughter] So I definitely had his support and Shannon Bybee's support for this stuff.

I found out that Jay Vandermark had a twenty-six-year-old son. I was investigating the whole family and found out how to contact him. So I went to his house with one of my agents, Larry Clark, and I told his son, "Look, we want him to cooperate. And if he cooperates, we'll protect him, but if he doesn't, they'll kill him eventually."

And his son basically got angry. He said, "I don't know where he is. He's gone, and I'm not going to see him." And he screamed, and basically threw us out of his apartment. So the next day—and I won't tell you how I got this—but I acquired a picture of Jay Vandermark at a picnic bench in Mexico, and this photograph was dated. And this photograph had been in the possession of Jay Vandermark's son. So that meant I knew he knew where he was. So I went back the next day and I said, "This is really important that you carry this message back to your father, because they will kill him. And we can protect him, but we want him to cooperate with us."

And he starts yelling again and says—and he was a big red-headed kid, I think, a tall guy, and about twenty-six years old, I think—and he said, "I told you I didn't know where he is," and he starts yelling again.

So I threw the picture down. I said, "Now tell me you don't know where he is."

He says, "Where'd you get that?"

And I said, "Never mind where I got that. You know where he is."

And he looked at it and he said, "OK." He said, "I know where he is. He's in Mexico, and I'll take the message for you." And we talked about exactly what we had wanted to tell him and everything.

He said, "I'm going to go see my father. I'm going to be with him for a couple of weeks. I'm going to be there in a week, and I'll call you as soon as I get back." So he went and he came back and he called me on a Monday or something. He says, "I've gotten back. I've talked to my dad. I want to talk to you." And he said something like, "You can't come tomorrow. I've got something to do, but come Wednesday or Thursday," or whatever it was, "and I'll tell you what he said and what the arrangement will be." Well, a day before I can get out there I got a call from the metro police department, who said, "You better get out here." So we go out to the kid's apartment and there's yellow tape all around his place. And they bring us back inside this house and this kid is laying in bed with his head crushed flat.

So we attributed it to something related to this, but the metropolitan police department told us that it was drug related. And of course, they never cooperated with us on anything, so we never quite trusted that. It would just seem too coincidental, but, you know, maybe it was. And I remember hearing something, that they had some guy that supposedly did it or something. So I don't know. It was either real bad luck or he was associated with it.

And then another guy that was involved in several of the count rooms, he was cooperative with us and starting to tell us a lot of stuff. Then, all of a sudden, he was going to a bar and he gets dragged out of the bar by three guys. He was with somebody else. One guy held the other guy inside the bar, and two guys take him out to his car and beat him with a baseball bat and broke almost every bone in his body—his legs, face, everything. Left him there, basically almost dead. So he was not in too talkative of a mood after that. [laughter] So this investigation went on and on.

So did you ever find Vandermark?

Well, apparently, he was lured back and killed someplace, and his body was disposed of.

In Mexico?

He was lured back, I think somebody said to Arizona, but I don't know that they ever found his body or anything. And I think some other people were killed. They found some guy in a drum someplace. I can't remember all of them, but as we pursued this thing, we kept trying to build a case. It took us a long time to put this case together—at least a year. We went to this friend of mine who was a prosecutor with the district attorney's office. And I said, "Could they appoint you to prosecute this case, because I just don't feel like we're getting any headway on this prosecution. We have a case and it's this thick with lots of stuff in it." And I said, "We got to start turning some people here, because there's people. In fact, Oscar Goodman brought me one guy that was willing to cooperate with us, providing that we give him immunity and everything."

Who were you trying to prosecute—Glick?

Well, I wanted to go after Glick, Rosenthal, Vandermark—and I was hoping to go further than that up the line to the mob guys, but I couldn't get off first base. I mean, the district attorney's office said no, we can't use the guy I wanted to use. They wanted to appoint somebody just to work with this. They would not appoint an attorney from the D.A.'s office to work with us on these cases. I pushed and pushed and pushed. Finally, it went to a grand jury. Well, the grand jury spent more time criticizing me and my agent than they did the business of getting a prosecution going. They asked things like how come I didn't confiscate the scale? The scale was about as big as this couch you're sitting on.

Yes. [laughter]

And it was computerized. I mean, it was part of their operations. And we proved the scale was set. We examined the scales that night. There was a switch on the scales that you could flip and make it weigh accurately, and you'd flip it the other way, and it was off by about 20 percent or 30 percent, whatever it was. So that's how they were underweighing the coin. And we proved that. We had all the

documentation of it, so you didn't need to confiscate the scale to prove that was happening. We tested it fifty times, and had eyewitnesses of all the agents who observed these tests, and we used weights and everything else. So we had the proof. We didn't need to confiscate the scale. As a matter of fact, I think that switch was probably still there for a long time, and we proved that the switches in all the places were set to underweigh in each place.

It seemed to us that they didn't really want to get a prosecution here. So then I went to the state attorney general, which I think was Bob List, at the time. Yes, it was Bob List. And I wanted a special prosecutor. But he refused to give us a special prosecutor. He wouldn't do it. Now, here's the biggest case in the history of Nevada—skimming, organized crime, everything. We just proved all four places were involved in this. They wouldn't give us a special prosecutor, and the Clark County Grand Jury was dinking around with us, so they weren't doing anything.

So after a year and a half or so of investigating, I finally got sick of it, and I turned the entire thing over to my friends in the federal government. The FBI and a new strike force were working on this. They basically took this stuff and pursued it, and also did some independent wire taps, which we didn't have the power to get here. And so they further proved the case. But it's funny. I was the expert on this case. They never called me to the grand jury. And they never, ever mentioned that we gave them any of this stuff. This happened way before they ever prosecuted these Kansas City people in regard to this. And we knew this information on all this money was going back, we knew that there were people coming down from Kansas City and Chicago and St. Louis that were getting money out of these places. They were coming in and on a regular basis.

Was that the Civella brothers?

Yes. Nick Civella and Carl Civella. And so we turned it over to the feds. They got the prosecution, but what they did was very frustrating. They ended up making Allan Glick a victim. And they let Rosenthal go. Rosenthal was almost blown up in his car, because, I guess, the mob thought he was a snitch. I don't know if Rosenthal was a snitch for the feds or not, but they never did anything to him, and they never prosecuted Glick. They said he was a victim. And that was the biggest bullshit story I ever saw, because I knew from snitches that Allan Glick was making decisions. Maybe at one point he became a victim, but for a long time there he was part of this thing, because he would lie to me. I interrogated him several times, and he lied to me about all kinds of things. Maybe he was afraid, but I saw this guy as a willing participant, and from people that were talking to me, he was involved in a lot of these decisions and deceptions. So I certainly don't think he was purely a victim here. And so the feds didn't do anything to him or Frank Rosenthal, who were the two key people in this whole thing. And you know, I think that Spilotro was just some kind of enforcer or something. He was no big boss in all this stuff. So that was a frustrating part of all this.

What is your estimate of how much money was skimmed from the Stardust and the Fremont?

Well, I think, at one point in time, we had an estimate of about \$20 million a year, from everything.

From all the properties?

Yes. Well, maybe it was \$20 million total that was skimmed down there. I can't remember exactly now what was in those reports, but that raid that we did, me and Dick Law on that first night, that was May 18, 1976. And there were just a lot of legs to this. They kept Allan Glick in as a licensee. And then what happened was, I was investigating Paul Lowden, who was also a partner in the Tropicana when all these mob guys were in there, and he was in the Hacienda when Glick was there. So I and my agents did an investigation of Paul Lowden, and did the background investigation of him, and investigation of all his transactions. I think we were still doing applicant investigations then. And in conducting that investigation, we gathered a lot of information about Paul Lowden in stock transactions, all kinds of things, people he was dealing with. And the information we gathered was sufficient to cause the Gaming Board to deny Paul Lowden a gaming license. But they did it on a two-to-one vote. It was Phil Hannifin and Shannon Bybee voting against his license, based on investigative report, which was exhaustive and extensive; and Jack Stratton voting in favor of it. He didn't think there was enough. Now, the problem with that was, if it was unanimous, I don't think they could have overturned it at the commission level.

At about that same time, Harry Reid was appointed the chairman of the Gaming Commission by Mike O'Callaghan. Now, the Gaming Commission was a quasi-judicial body. It was part-time; it wasn't a full time job or anything. Before that it was Pete Echeverria who was chairman of the Commission. And now all of a sudden, it's Harry Reid. Well, the board's decision goes to Harry Reid, and our report goes to him, and right in the middle of this thing, where they're trying to decide, Harry Reid starts criticizing our investigation. He didn't even know me at that point in time. And he didn't really know a lot about this investigation.

This is the one that Hannifin and Shannon voted two to one to deny?

Yes, to deny. I'm sitting out there as one of the agents that did this investigation. He said, "This is the worst investigation I've ever seen in my life." And he says, "It is so bad, I wouldn't even present it to my fifth-grade civics class." [laughter] And then he went on and on, and there were never any specifics about why it was bad or what was wrong with it, but he was very critical, and when the Commission voted, I think it wasn't unanimous. They didn't have to be. Because the Gaming Board vote was split, I think they didn't have to be unanimous. They just had to be a majority. So I think it might have been like three to two, or something like that. I can't remember exactly, but because of that, because Jack Stratton voted for it, it didn't have to be five to zero. So they overturned the Control Board and gave Paul Lowden his license.

I think they may have sent it back for further review for another month or something, but anyway, ultimately they gave him his license. Phil Hannifin pulled me aside at approximately that time at that meeting. He said, "Dennis, I'm leaving this position. I can no longer stay in this position and feel that I can do my job with integrity or not being interfered with." He says, "And I would advise you to do the same thing, because you're not going to be able to function the way I've allowed you to function, and go after people that are dirty." So, he says, "I would advise you to get out while the getting out is good, because to stay here, you'll only hurt yourself, and you won't be happy." And he said, "I can't tell you any more than that." He wouldn't tell me any specifics. He wouldn't say anything. He was a very loyal person. He wouldn't say anything about anything, about any person. He just told me that. And so, he left. He resigned, and a guy by the name of Roger Trounday came in, who was head of the Board.

And so I started looking around. I mean, I realized that things wouldn't be good. I worked for Roger Trounday for a little while and really didn't want much to do with him or any of that stuff. I just

felt they were pulling back. I didn't do many audits, I have to admit. I mean, the one criticism of me during that period of time is that I did so few audits, which was one of my primary functions, and that there was like a nineteen-year audit cycle. That meant I would get around to every major casino every nineteen years. [laughter]

And by that time, they'd have built nineteen more.

Yes. Right. But it's because we were knocking down these skimming cases right and left, and organized crime infiltration, and everything else. There are lists of these things that we were doing. And I felt like those were the priority. That was a bigger picture and much more important to Nevada to clean up, and we did. Little by little, we cleaned it all up. But by this time, I felt like I had to get out.

So you resigned from the Gaming Board shortly after Phil Hannifin did?

Yes. I can't remember what the intervening period was. It could have been even as much as six months to a year, but in the meantime I was looking, and I did leave to go to work for the division of gaming enforcement in New Jersey.

Did other agents resign when you did?

Yes, all my key ones left. Rich Iannone was one of them. He was my senior agent. Dick Law stayed, and he was persecuted, basically. Richard Bunker went after Dick Law, mercilessly. I mean, he just tried to annihilate him, and did, basically. He fired him. He fired Dick Law, and that's a whole 'nother story. He fired Dick Law on some trumped-up charges, and Dick Law ended up appealing the termination. And I helped Dick Law. By then, I was out of law enforcement of New Jersey and back. And every day we worked on Dick Law's appeal. Every single day we worked on his appeal. It took us like a year.

And you were back in New Jersey?

No, I was back here then. Dick Law lasted a year under Richard Bunker. He was fired. And by then I was coming back. And Dick Law and I worked on this case every single night. It went to the different courts. The termination was held up by the district court here. Mahlon Brown was his attorney—Mahlon Brown, Jr. He was always out to help the liberal causes and everything. He was sort of an anti-government guy, but a wonderful guy. And I don't think he charged him anything for it, either, if I'm not mistaken. But it was me and Dick Law and Mahlon Brown working on this case. And I had to do it surreptitiously, because I didn't want Richard Bunker at the Gaming Board to be angry at me for helping my friend, Dick Law. I'm not saying he would have done anything to me, but I was a gaming licensee. And he was a powerful guy. So I had to do this surreptitiously, but after it was overturned, the firing was held up by a district court. Then it went to something else. Oh, it went to the Commission first, held up by them, who was Harry Reid—I think it was Harry Reid at the time. It went to district court and was held up by them. I forget who that judge was. Then it went to the state supreme court. And we prepared brief after brief after brief. [laughter]

And I think our briefs were so convincing that when we finally went to the state supreme court,

we went in and listened to this whole thing. The state supreme court made a decision and Dick Law said, “I don’t want anything from this. I don’t want any money. All I want is reinstatement. I want this supreme court to say that this termination was wrong and in error. They have to reinstate me, but I will say that I’m not going back to work.” So that’s exactly what they did. They reversed that termination, said it was wrong.

A wrongful termination?

Yes, wrongful termination. And Dick Law basically gave up any right to go back to work, though, because that’s not what he wanted. He just wanted to be vindicated. So that was that story.

Before we leave Nevada, let’s go back to October of 1977. Pretty close to when you did leave, I guess.

Yes.

There was a fellow named Joe Agosto. He was the owner and operator of the Folies Bergère show at the Tropicana.

Yes, that’s a good story.

It’s kind of ironic that that’s where we’re sitting today—at the Tropicana.

Well, it’s more than ironic, I’ll tell you. [laughter]

And he called a press conference where he verbally attacked Phil Hannifin, former chairman of the board . . .

[laughter]

. . . Jeff Silver, a Control Board member, and yourself. Would you tell us about that press conference, what he had to say about you and your wife?

Yes. But first, let me make a comment about Jeff Silver. Jeff Silver was also a real stand-up; he was like Shannon Bybee. He was like Phil Hannifin and Shannon Bybee. He was a strong gaming enforcer with a lot of integrity and was very supportive and everything, too. He was a very good man.

A very talented man.

Yes, very talented. Right. A great attorney, too. And I can’t say enough about Shannon Bybee and Phil Hannifin—they’re my heroes. Shannon Bybee is one of my heroes, and so is Phil Hannifin. Two of the people that I admire most in the world—also, Mike O’Callaghan. Mike O’Callaghan was another one that had total integrity, was a strong individual who wanted to just do right for the state and didn’t owe anybody anything and said that you could just clean up this mess. And he wasn’t part of the establishment. He’s a guy who has kept his integrity from that day forward and is still a man of utmost

integrity. So, those people—Mike O’Callaghan, Phil Hannifin, and Shannon Bybee—were like my heroes. And they still are to this day.

And Jeff Silver was pretty close?

Jeff Silver, too. Yes. They were people that just had so much integrity and could have been pushed around by the social economic political power structure that existed in the state that was so heavily controlled by the gaming industry at that time, but weren’t. They weren’t swayed at all. None of them were. But it started at the top with Mike O’Callaghan who gave Phil Hannifin and Shannon Bybee the ability to give me the power to do a lot of these things, and we did it all together. I think, together, all of us basically cleaned up this state.

But now, back to the question of Joe Agosto. That was another case where I was very interested in the Tropicana. I wrote an intelligence memorandum one time that indicated—and I stress that it was intelligence information; it wasn’t documented or verified and not always substantiated—that there were basically five mafia families that were controlling the Tropicana. Now, at that point in time I think the Doumanis were at the Tropicana, and I did have a lot of respect for Ed Doumani. He was an intelligent guy. I felt that he was just a wheeling, dealing, great business man, but that he sort of got sucked in by all these people. I forget the other guy’s name that sold the Tropicana to the Doumanis. But I think he was a bad guy. Hey, I got his license denied downtown. He had the Red Garter. And he was a former owner of the Tropicana and sold it to the Doumanis. He had a Norwegian-type name or something.

Oh, was it Gustafson?

Gustafson! That’s the guy. Good job. [laughter] Deil Gustafson. I did a couple twenty-four-hour surveillances downtown at his place and got his license denied there and was after him at the Tropicana because I felt the mob was involved. He sold the place to the Doumanis, and I felt like Ed Doumani kind of got in with the wrong people—he was a guy that had a lot of loyalty to his friends, and I think some of his friends might not have been the right people, but I felt that he wasn’t really a guy that was mobbed up or anything like that. Of course, I didn’t know everything, but I liked him, and I felt that he was a decent human being. But I didn’t feel the same about Deil or a lot of the other people involved there. And there were other elements there that I didn’t trust at all. And Joe Agosto was the biggest one. He bought the show, the *Folies Bergère*. I felt it was a way to get mob money into the place. So I started placing that operation on surveillance. One time I was walking around there with my senior agent, Rich Iannone, and I remember seeing a guy walking away from me, and looked at the back of his head, and I said, “Rich, I think that’s John Joseph Vitale, the mob boss of St. Louis.”

He said, “How could you say that? You’re just looking at the back of his head.”

I said, “His ears look familiar to me.” And I was always good. I had a bad memory with names, but was real good with any kind of facial features. You could wear a disguise, and I’d still know by the eyes or something. And I said, “I just feel like it.”

He convinced me I was crazy. So I went back home, and I thought about it all night long. I came back at four o’clock in the morning. I couldn’t stand it anymore. I couldn’t go to sleep. And I went to the front desk, went behind the front desk and made them show me their records, and I was going through anybody that was staying in house. And I looked under John Vitale, and there were no Vitales in there. I looked; I couldn’t find anybody. So I just started flipping, one by one, through everybody in house,

looking at addresses, trying to see if there was anybody from St. Louis. Sure enough, I find this address, and I recognize the address. It was John Joseph Vitale's address. And the guy was staying there under an assumed name. So then I knew he was there. So I started wandering around the place, and I found him in the floormen's lounge, talking to some executives in there. This was a big mob guy. This was one of the biggest. He was the boss from St. Louis. That was a big mob position.

Then I knew I was onto something, so I started going after these guys, and I started pursuing Joe Agosto. I was here on surveillance constantly. In fact, I met my wife there, who was dancing in the *Folies Bergère*. She was dancing in the *Folies Bergère* long, long before Joe Agosto ever came there. For seven years she was dancing there. So, when I finally nailed Joe Agosto—I mean, I nailed him to the wall. Basically, I think he got thrown out. In fact, the Gaming Commission came in. I remember Frank Schreck was a commission member and a friend of mine, and Pete Echeverria, I think, was the commission chairman then, if I'm not mistaken. We came in to shut the place down. We were going to shut it down. They had the order right there, and I forget exactly why, but they asked me what I thought, and we decided that we wouldn't shut them down. We'd let them operate, because I said, "I think we'll be putting a lot of people out of work, the innocent people, employees, that don't deserve this. Let's just go after these guys and prove a case."

Eventually I got Joe Agosto, basically, and I turned lots of this stuff over to the feds, and they called me. They pursued him in the grand jury, and Kansas City called me to the Kansas City grand jury, and I was a witness there, because they wanted to know, "How did you know?" Because all their wiring taps and everything showed these families I put in my intelligence report. "How did you know that these families were involved?" And they went on and on with questions, but they really were super nice to me, and all the FBI agents and everything—we sat and talked before. And so they had Joe Agosto nailed with this. Between the stuff I had and the stuff that they developed, they put him in jail, and he died in jail. So, basically, I always felt that I got him, and I also got my wife, Barbara, and married her. [laughter] We've been married twenty-eight years. She was in a dancer in the *Folies Bergère*,

And what happened was Joe Agosto came out and attacked Jeff Silver.

For using his influence. His dad ran junkets.

Yes. And he attacked me and said I used my influence to get my wife in the show with him.

Yes. [laughter]

The funny thing is, she was in the show before. He was so stupid he didn't know this. She had auditioned way before he ever bought the show, and had that job based on an open audition that happened long before he was ever there. [laughter] And then my wife got angry and called the newspaper and responded. And there was a big headline in the *Valley Times*. At the top of the newspaper it said, "Gamer's Wife Strikes Back." It's headlines—this big! [gestures] She just set the record straight.

The guy was really nuts, but it was a little troubling at the time. [laughter]

What did you do when you left the Nevada Gaming Control, Dennis?

Just before I left, New Jersey passed a gaming referendum and they legalized gambling in Atlantic City. And the head of the Division of Gaming Enforcement, a guy by the name of Bob Martinez,

came out and he interviewed me. He was looking for somebody to go out there. And because of what Phil Hannifin told me, I was willing to interview this guy and look for some other position. I loved law enforcement, and thought it would be there. So he came out and was really interested in me and eventually hired me. So I resigned my position here and went to work in New Jersey and I was to be the first head of the Special Investigations Bureau for the Division of Gaming Enforcement. And the things I would be in charge of were the same kinds of things I was in charge of here, including all applicant investigations. So basically, I had all applicant investigations, all skimming investigations, all organized crime investigations; it was all mine. And all internal control evaluations. I don't think there was an audit function; I think the audit function was handled by the Commission.

So I took the job. I got there, and they said "You can hire x number of agents." When I went there, though, there were lots of headlines. I was in basically every newspaper out there. Like I indicated before, there were some comments from Harry Wald, but it said at the time "an undisclosed top executive from Caesars" said they hoped my plane would crash. They didn't like me. He particularly didn't like me because of what I did to them.

He considered you too hard ass?

Yes, he thought so. Of course, coming from a company that at the time was a mobbed-up company, I think that was more of a positive statement than anything.

When I got there I had a reputation already that preceded me, and I began hiring agents. They gave me carte blanche; I could hire them at high salaries and get anybody I wanted. And so I did the same thing; I was looking for that hybrid agent.

Did you bring some with you from Nevada?

Yes, I brought Rich Iannone and Larry Clark, two agents from here. Larry Clark is still working for me, by the way. And Rich Iannone is a wealthy small casino operator. So I brought them, we started hiring and formed a great group of investigators, hired them from all over—law enforcement backgrounds, usually, but every one had to have an accounting background. The state police came in—and I didn't realize the politics of it when I went there—but they were really upset that they didn't get the special investigations bureau under them. It was under the Department of Law and Public Safety. It was a separate agency. But the state troopers, the state police, were part of our agency. They had certain aspects of it. They wanted some of their police officers working for me as my agents. And at first, I refused to hire any. And then finally they put so much pressure on me, I said, "I'll hire five." And I said, "But I won't hire anybody that doesn't have an accounting background, an accounting degree." So they scrounged their entire force of police officers and found five police officers that had accounting degrees, and I interviewed them. One of them was Kevin DeSanctis, who became a real close friend of mine later on. He was a state trooper. He had an accounting degree, and so did the others. So I hired them.

When we started, we formed an intelligence unit again and we started gathering intelligence, and the first investigation was Resorts International. One of the first things I had to do was adapt investigative procedures and help with the establishment of internal control regulations. That really wasn't my function, it was the commission's function, but they wanted me to work with the big CPA firm that was doing the work in conjunction with the commission. So I became part of a committee working on those control procedures. And I think I was fairly instrumental in a lot of the aspects of that. I felt the

regulations were overstrong and unnecessarily cumbersome.

Too much detail?

Too much detail, the licensing things were ridiculous. I mean, they were still developing that stuff when I was there, and I remember questions like, “Are you a homosexual?” Another question was “Are you a habitual aspirin user?” It was stupid stuff, and I got a lot of it thrown out, but there was still a lot of stuff that stuck.

Then I developed the applicant investigative procedures. I had started in Nevada examining bank accounts, examining safe deposit boxes, examining contents of safes, and things like that. That stuff is still in Nevada, and I brought it there. So once we got all of that groundwork, we started investigative procedures and they said I’m in charge of the first investigation, of Resorts International. We gathered a lot of intelligence, I started developing snitches and everything. And one of the snitches was a big guy within a certain organization, and knew a lot of inside stuff. I did a lot of intelligence gathering myself and I had a lot of snitches, and this guy tells me that Resorts International is the one that sponsored this gaming bill, and they paid off a lot of the legislators that sponsored this bill—I’m not saying every one, but they had paid off the key ones, they said. So I pursued this intelligence information further, and finally through this guy, I learned that there are actual documents proving that these guys’ relatives are getting like ten thousand dollars a month each. At least one of them was ten thousand in public relations fees, another guy’s relatives were getting something. So I thought if I could prove that, and it turns out there was proof of it in correspondence and things, that I could get if I pursued this.

And I said, “How can I pursue it?”

They said, “Well, the stuff is in these file cabinets on Paradise Island, just off of Nassau across this bridge. He said also that resorts were skimming money out of the proceeds that people had to pay to cross this bridge from Nassau to Paradise Island. They were skimming money out of there. And this information and documentation was in their corporate headquarters on Paradise Island, in the casino. He told me where the file cabinets were and everything.

I said, “Fine, I’ll just go get it.”

He says, “The problem is, once they know you’re coming, they’ve paid off all of the customs officials from the Bahamas. So they’ll know that you’re coming in. They’ll tell them.

I said, “Well, I’ll just go in with a false ID and false occupations and stuff, and we’ll go in separately.

He said, “You can’t. It’s a violation of international law. The Bahamas is a foreign sovereign country having nothing to do with the United States.

So I said, “Fine.” I didn’t want to tell him what I was going to do. So I came up with a scheme for me and nine agents to sneak in there doing just what I told him might be a possibility. And it was in violation of the law; we knew that. Of course, I was getting a lot of resistance for everything I wanted to do from the head of the agency, Bob Martinez. He was tied in politically with everybody. He became sort of a thorn in my side every time I wanted to do anything.

And he was your immediate supervisor?

Yes, he was my immediate boss. But I don’t know if I explained everything to him exactly the way I was going to do it. [laughter] I ended up putting this operation together and doing it. We snuck in

in twos and we had two female agents with us out of the ten. So there were eight guys and two women. People went in twos, and we had cameras and everything, and we looked like tourists. I knew there was a danger there of us getting in trouble, because we had no jurisdiction in that area at all. We were not peace officers there; we were nothing. We had no official capacity. But I felt like we had muscle, though, because once I got there, they would have to let me look at the stuff or I'd threaten them with not being able to get their license if they weren't cooperative.

So we got there and we put the bridge on surveillance. We counted every car that went across from one building, because we wanted to see if they were skimming. I think they figured out that we'd be checking that, because that came out to the dollar. For every car that came across, they turned the money over to the government. So that they weren't doing.

But we had the casino under surveillance, and we saw a lot of problems with the casino. It was a bad operation—poor controls, a lot of things going wrong. They had absolutely no control. They could have been skimming money out of there all they wanted to, and no one would know. The controls were terrible. After I think twenty-four hours of surveillance, we shot up to where these file cabinets were. We told them who we were and showed them our badges and everything, and they just freaked out. They didn't know what to do. They said "You can't get into those file cabinets until we get authorization." They had no idea what to do. They were running around frantic.

And then Bob Peloquin came down. He was a famous guy from federal law enforcement agencies, like strike force or something. And he was hired by Resorts International to head up their security. He was rather famous in terms of stuff he had done in law enforcement. I think they had him in there to look good. I think he was a decent guy, too. I always liked him and had respect for him. They had a bunch of other famous federal law enforcement people that were on his staff. But I always felt that it was window dressing and that these guys really didn't know what was going on. Before he came down, they said, "Okay, we just talked to our board directors, and they said you could get into this stuff."

I thought, "Great," and I knew what was in there.

And they said, "But you can't do it until tomorrow when they get here to release those documents to you."

I said, "That's bullshit."

They said, "No, you can't do it."

So I said, "Fine. Okay, I agree." So I pulled out of my pocket these seals that we used to use when I worked for Pete Merrick Mitchell when we did surprise bank audits. They were these foil things that were really thin, that you peeled off and you put right on the opening of a safe, so that nobody could get into that safe. If you open it, they break. You couldn't steam them off—nothing. So I sealed every single file cabinet, and they were shocked. I said, "If one of those is broken, you're not getting your license. So every one better be intact tomorrow when you guys come in." And they looked really, really disappointed, those guys.

The next day Bob Peloquin comes, and we start going through the files. They had to let me in. They were all intact. And one of the things I found in there was this law enforcement organized crime book. It was a federal book. It was a listing of every organized crime associate that existed in this whole country. I always knew about this, and could never get it because this thing was guarded so carefully that I could never get a copy. I always wanted a copy of that, but couldn't get it. And he was in a private company and had it. So I said, "Bob. You're not supposed to have this thing. Now, I want this. If you give this to me, I won't even say I ever saw it." So he gave me a copy of it, and I got that, which was good. And I liked him anyway.

But now I'm going through all these documents and I come across all these letters, just like this guy said, confirming all these relationships. And with some of these guys, they said "Yes, there's a relationship, but they're very unfriendly." Like, one senator's brother was getting ten thousand dollars a month, but they tried to tell me that the senator and his brother were estranged, and they never talked. Well, I found all this correspondence in there where this guy, the brother who was getting all this money, had all these letters with constant discussions with his brother about this same thing—about the licensing, about everything. It was all in there. There was documentation about this guy getting ten thousand a month. And then there was another senator whose uncle or something was getting x amount of money per month. There were all these things. I had the goods now! This was a major thing. I was so happy, I couldn't see straight. There was a *lot* of stuff there.

And really, they didn't know what I had and what I didn't have, because we were just left alone with these things. They couldn't do anything. We'd make our own copies. They were upset—really upset. And all of a sudden, I'm down in the casino after that, I had all the stuff with me, and lo and behold, here comes this big, tall, black agent with a British accent. He says he's with the Bahamian police or something, some law enforcement. It could have been their secret police or something, I can't remember. I go to shake hands with the guy, and he wouldn't shake hands with me. And he says I'm in violation of their law. He checked the records and saw I didn't properly register or something when I came through. I forget what his problem was. And we did lie about everything when we came through there.

And he says, "You're going to jail." [laughter] I had heard about this prison they had out there that was like a Devil's Island-type prison and how horrible it was. He basically threatened that he was going to take me there.

So I said, "Look, I've got agents all over this entire building." I said, "If I just disappear, all hell's going to break loose, and you could have an international incident on your hands." The guy starts looking nervous, and I said, "Look, I'll come down to your headquarters and I'll do whatever you want me to do, but I got to go talk to these guys first and tell them to relax, everything's going to be OK. But if I just disappear, all kinds of things could happen." I remember telling the guy, "This could start a war" or something [laughter] because I was desperate. I didn't know what to say, and it was a stupid story that I was telling him.

So he said, "OK." I got the address and I said that one of these guys would bring me right down. He had a guy waiting out there for me, I think.

So I lucked out, because in twenty minutes, I was off the island. I snuck off the island, and I was gone. And they were still waiting for me at the front door. And I had all the stuff with me, and I knew that's what they wanted to get. That's why they wanted to get me down there. Of course, the bad thing was I left all my agents there. One of the troopers, Kevin DeSanctis, who later became a close friend of mine, was there, and in fact, he didn't have any money or anything. He jokes to this day that I left him there and took off. But I had to get the stuff back.

So when I got back to New Jersey with this stuff, everything blew up.

Martinez was really upset?

Martinez was upset when he saw what I had. I created a whole political phase of this investigation where I wanted to see the records of these people to see if any funds or land or anything was transferred from these relatives to the guys who passed the bill, because I was told by a snitch that all these guys were bribed to pass this gaming bill, by the one company whose stock went to a hundred dollars a share

because they were the first one in. And I also knew the background of Resorts International was Mary Carter Paint Company, which was a mob outfit from the beginning. They had associations with all these mobsters, including Dino Cellini, who was the guy who ran all the casinos for Meyer Lansky, and Alvin Malnik, the guy that was involved with Caesars Palace. So I felt strongly that it was a mob company, and I knew they were bribing everybody, for one thing, including the police in the Bahamas.

So I started pursuing this political part of the investigation, and all of a sudden, Bob Martinez kept trying to get me to stop it. And I kept saying, “No, I’m not stopping this thing. We’re supposed to investigate Resorts International, and if they bribed these senators, then I want to know that that happened, because they shouldn’t be getting a license. That’s a bad thing.” He kept trying to get me to back off, and I wouldn’t.

So next thing I know, they disband my special investigations bureau. They have a big meeting, and they say they’re going to make some changes. The governor’s representative was there, the attorney general at the time, who was named Degnan at the time. The governor was Byrne. And they had the colonel of the state police there. And all my agents came in, all the state troopers were there, all these people were there, and they make this big announcement that they’re disbanding my special investigations bureau, and they’re going to put me under the state police captain, and I’m still in charge of the resorts investigation. So nobody says anything; not even the agents I brought from Nevada said a thing; nobody said anything.

One guy stands up—Kevin DeSanctis, the state trooper that was working for me, who I didn’t even know that well, except for the work we did in the Bahamas. He stands up and says, “This whole thing’s bullshit.” He says, “I came to work for Dennis Gomes. He’s the only one that has the ability to teach me, he’s the only one who knows how to do this stuff, and I’m working for him. This is wrong. I took this assignment to work for him, and this is political,” or something like that.

And as soon as he said that—he’s a state trooper—the colonel of the state police looks at him with daggers, and that was like the end of his career. Period. That was the worst possible thing he could have done, but he knew it and he stood up. Of all the people, he stood up for me. And sure enough, they disbanded it and put me under the state police captain, named Tony Scalzone, who I also liked . . .

Why was Martinez trying to hush it up? Was he in on some kind of . . . ?

Well, I’ll tell you how bad it got in a second.

Now, I don’t know why exactly *he* was trying to do this. But the first thing the state police captain does is tell me, “You have to stop the political phase of your investigation.” That’s the order he gives me.

I said, “I’m not stopping it unless you give it to me in writing.”

He says, “Dennis, they will never give this to you in writing.”

And I said, “Then I’m never going to stop it.”

So I started making moves to get the records of these relatives of these powerful people. One of these guys was slated to be the next governor of the state. I’m continue with my work, and I started to get harassed. At first, I was getting harassed by the intelligence unit of the state police. Bob Guccione from *Penthouse* magazine was going to apply for a gaming license; he was building a place there. I went and I did some intelligence work and actually got to his apartment and sat and questioned him for an hour with several of my agents. The state police intelligence people come running out of our headquarters yelling and screaming because I guess they were trying to get to this guy and couldn’t. And they were totally

pissed off at me and harassing me for doing it myself. It started with small things like that.

And then on a trip I had arranged—Dino Cellini was this big mob guy who ran all the casinos for the mob. But he had a good reputation as being a decent person and a good casino operator, and I was always intrigued by him. I set up through some questionable character a meeting with this Dino Cellini, who agreed to meet with me and Bob Martinez in Miami, where he lived. This was a big guy. He ran stuff all over the world. He ran casinos in England for the mob and everything else, and basically was thrown out of all these places.

He was right next to Meyer Lansky, wasn't he?

Yes, he was. So he agreed to see us. Bob Martinez had, I think, some relationship with this other guy, this flaky guy who set this up. I forget what it was. I don't know if he was his snitch or what, but he knew him better than I knew him. But I made the contacts and did the work to set up the meeting. The guy agreed to meet with me. And Bob Martinez said he'd come. In the meantime, I got hold of the strike force in Miami, a guy I knew that was there. They were in a house across the street from this guy's house and they were watching. I asked if they would watch us go in there and make sure that everything was OK, and they said fine, they would.

When we got there, Bob Martinez started getting nervous about the whole thing. When we got in front of the house—I was driving—we were ready to go in, and he sees cars that said "Roma" on their license plates, and all this stuff, all these Mercedes parked in front of this big house in Miami. And he says, "I don't know if we should do this."

I said, "We've got to go in there." I said, "Bob." He wouldn't do it. I said, "Bob, see that house over there? Those are all federal people; they're watching everything. Nothing's going to happen. I guarantee you." I said, "If you don't go in, I'm going in by myself."

He says, "OK."

So we go in, and they bring Dino Cellini out. He's kind of lying there. He starts talking, and he starts talking about regulations and all that stuff. He got to one point where he started to say something that was pretty revealing—and he was dying of cancer, so he wasn't always that rational—and he starts saying something to where one more sentence and he would have given us some really strong stuff. I forgot exactly what the issue was. The second he got to that, all of a sudden three guys come running into the room and say, "OK the interview's over, he's tired, he's sick, it's over, it's done." So basically, boom, we're out.

So I told Bob, "That was a waste."

We get to the airport and this flaky guy who set this up, he's with us. So Bob Martinez comes over to me and says, "Hey, Dennis, we want you to come with us to the Bahamas." I think it was a Friday. I had just come back from the Bahamas and there was no way I wanted to walk in there and have these guys stick me in jail or something.

I says, "No, I'll get in trouble."

He says, "No, you won't. That's a done deal." He says, "There's some women down there that we've set up—some really beautiful women, beauty queens, and they're going to meet us down there. We've got one for you, too, or several," or something.

I said, "I'm happily married. I don't want to do this." I said, "You guys go."

He says, "No, you have to go. I'm telling you as your boss, you have to go."

I said, "We have no jurisdiction there, we've got no investigation there, you can't tell me to go."

And I said, "I'm not doing it."

He says, "It's an order."

I said, "I don't give a shit. You go." And I went and got on the plane.

And he went off with this other guy. Last thing I remember, they were walking down toward another gate. A few minutes before the plane took off, I see him walking down the aisle of the plane I'm on, and he sits next to me. And he says, "I decided not to go."

Now, we're flying home, flying to Newark from Miami, and he starts telling me stories. He's drinking a bit and he starts telling me stories about him and his wife swapping with somebody—one relative of his, with his sister-in-law, I think it was, or something. And finally I looked at him and I said, "I don't want to hear any of this anymore." I mean, I didn't want to hear this. It was just yapping my ear. I was trying to read or something. I said, "I don't want to hear this stuff anymore." And then he kept trying to tell me. I said, "What are you telling me this for? I told you I don't want to hear it."

And he says, "Because I feel guilty."

I said, "Well, that's fine. Go see a priest." [laughter]

Then I said, "But I don't want to hear. I'm not listening to another word. I'll move on the plane." And so he shut up, and then we landed in Newark, and then I had a state police car. It was an unmarked radio car, but it had no markings on it. It was my car, so I'm driving. He's in the car, and we had Scalzone [phonetic] with us, this state police guy. I don't know why he was with us. I don't remember him coming to Miami with us, but anyway, I believe we had him with us, if I'm not mistaken. Anyway, we dropped him off, and then we're driving, and he says, "Dennis, why don't you come into New York with me? There's a girl there that was a girlfriend of mine. She works for the attorney general's office. She's an A.G., attorney general, an assistant attorney general. And she wants to sleep with you."

I said, "She doesn't know me. How's she want to sleep with me?"

And so he says, "No, she does." He says, "She's sexy," and this and that. I forget what words he used, "and beautiful."

And so I say, "I can't take the state police car across state lines," which he knew was a lie, because he knew. He had one, too.

And he said, "Yes, you can."

I said, "No, I can't. So-and-so told me I can't." I cited Colonel somebody—or not colonel but a major or . . . I forget what the guy's name was, one of the top guys there. I can't think of it now, but I just said his name. I said, "He told me I couldn't. So I'm going to listen to him." That was just an excuse, because I didn't want to do this.

So he says, "Fine."

So we get from Newark almost halfway to Trenton, where we lived, and he says, "Dennis, remember my sister-in-law I was telling you about?"

"Yes."

He says, "You've met her before."

"Yes?"

He said, "Do you think she's nice looking?"

I said, "Yes, really nice looking."

I think it was his sister-in-law. He says, "She wants me to bring you home."

I said, "For what?"

He says, "She wants to sleep with you."

And now I'm trying to humor him, because I don't know what to do or say. I said, "No, I don't

think so.” I said, “What if her husband comes home?” [laughter]

And he says, “Ah, her husband’s a professor.”

I said, “I know he is.”

And he says, “He’s off at some conference someplace.”

I said, “But what if he comes home unexpectedly or something?” I said, “The husband’s gone. That’s what you told me. What if comes home unexpectedly?”

And he says, “No, it won’t happen. He won’t care, anyway,” he says.

So, I said, “I don’t care. I don’t want to take the risk.” [laughter]

And I don’t know what to say to this guy, because I told him fifty times I don’t play around, because I’m happily married. He wasn’t listening to that.

Was he just trying to set you up?

Yes, he was trying to set me up for something. He was trying to get me to do something that he could hold over my head, or do something that he could control me with.

Or get you out of the job?

Yes. And so, then we get all the way into Trenton, and I was going to take him home, and he says, “Dennis,” he said, “my wife really likes you.”

So, now that kind of shocked me, and I didn’t even respond to it.

And then in a little while he says, “Did you hear what I said?”

I said, “Yes.”

He says, “My wife really likes you.”

I said, “Yes, I like her, too.”

And he says, “She wants to sleep with you.”

And I ignored that again.

He says, “Did you hear what I said?”

And so then I exploded on him. No, I know, before I exploded I said, “Bob, I don’t think that you and I would have too good a relationship [laughter] if I slept with your wife, and we had to work together.”

So he says, “No.” He says, “I’m not jealous. So that wouldn’t bother me at all.”

And then as soon as he said that I exploded and started yelling at him and called him some names and stuff, a pervert or something. And I drove to my house and let him take my car. I didn’t want to be in the car with him for five more seconds. I just got out while I was still in control, and I didn’t want to go anywhere near his house, so I just got out and let him go, and went in and told my wife this whole story right away.

And then after that things just deteriorated. It got so bad that one point me and my agents had a meeting at a baseball field, pretending like we were playing baseball, to talk about what we were going to do, because they were just harassing every one of us. And we were faking this baseball game, but we were just talking, because we were afraid they were tapping us or listening. We decided to go to this attorney, and this attorney tells us, “No, you better not do anything. You shouldn’t go to the press. You shouldn’t do anything. Just all leave.” Well, it turns out later on that this attorney was tied in with all these guys, so that was a stupid thing. So we basically decided just one by one that we would leave.

Now, in the meantime, the attorney general comes down, and the governor. The governor brought me to his office, because I wouldn't stop this political phase. And Governor Byrne acted like he was really investigating this and wanted to pursue this and didn't want anything bad to happen. He didn't commit himself to anything. He acted like he was concerned. He says, "I'm going to have [John] Degan, the attorney general, come and see you." So he came and saw me. And basically, they did this white-wash investigation. Well, they did nothing. They just blew it all off.

So Resort International got licensed?

Yes. So I finally went home to my wife, because I was getting real nervous about all these things. We had just moved into a house that she spent a whole year building. And I love law enforcement, so I didn't want to leave, but I couldn't do this anymore. After all these years where I thought I was helping society, I felt like society didn't care. And so I decided to leave. I didn't want my family hurt, and I didn't want my reputation destroyed by these people, and so I went home and told her. She had spent a whole year building this house, and we were only in it for two weeks, hadn't even unpacked boxes that came from Vegas, and they were just sitting all over the house. And she loved this house. She started crying. She walked out and looked out over this big balcony across the backyard into these woods and cried some more, went down, looked at our big four-wall fireplace and everything, came back up and said, "OK. When are we leaving?" [laughter] And so we eventually left, and that's when I left law enforcement.

I kept a whole diary of every conversation I ever had with those people back then. And then I left and came back to Nevada, and Resorts International got licensed. And the funny thing is at one point their attorneys came to me. They were suing Bob Martinez, and they wanted me to testify against him. The resorts attorneys came, because now all of a sudden tables were turning. They were going after him. I don't know why, exactly. It was a guy by the name of Brown that was an attorney for them, and Jack Davis, who was president of the company. And I liked this Jack Davis guy, but they sat there, and he said, "Will you testify against Bob Martinez?" because they knew all these terrible things he did, and he eventually got fired from the agency, I think, because he had a relationship with the Playboy attorney, this woman.

But they wanted me to testify all these things that were going on when I was there, and I said, "No, I'm not."

And they said, "Why not?"

I looked at Jack Davis and I said, "Because your company's a mob company, and if I was there long enough, I could have proved it, that's why."

And the attorney looks at me and says, "You know what? I think you could."

And Jack Davis looks at him and says, "How could he? It's not true!" [laughter]

But I says that's the end of that story, and I went and got into gaming. My first place was Major Riddle Enterprises. It was for an old guy that had been around for a long time, and was a part owner of the Dunes, too, but where I worked was the Silver Bird Hotel.

And Silver Bird was formerly the Thunderbird?

Yes. It was formerly the Thunderbird, and I came in as vice president and treasurer of that operation.

Where did you go from the Thunderbird?

OK. He died, and he named me as a trustee in his estate. He really liked me, and I felt like his estate was going to be a big mess, and that everybody wanted everything he had. The people that owned the land that he was leasing there were powerful bankers, and I felt that they were going to come after him, and after his estate. And I didn't want to be part of any of that, so I resigned from that, and I started looking for a job briefly. Kevin DeSanctis, the state trooper that stood up for me that day, was with me. I had to take him with me, because he didn't have a job. They were going to annihilate him, and they said so. When we left the state police told us we'd never work in the state of New Jersey again. So Kevin went with me to the Silver Bird, and after we left there, we went to work for a Canadian company that was building a casino, and we designed the place for them. They ran out of money, and so that fell apart. And then I was looking for a job, and I couldn't find a job anywhere. I had a high profile in law enforcement, and I had financial credentials and everything, but it was not a strong economic period, either, and so it was hard to find jobs. And so finally, I approached Phil Hannifin from Summa Corporation. Phil Hannifin from the Gaming Board is now in charge of all the gaming for Summa Corporation, which was Howard Hughes' holdings.

And I said, "Phil, I need a job." [laughter]

And he said, "OK. Come and see me." He says, "I don't have anything right now." So he talked to me, and he says, "OK, Dennis, if you don't have anything in thirty days, then I'll give you a job working for me as a consultant or something."

And so thirty days later I called him back and said, "Phil, I don't have a job." [laughter]

He says, "OK, come to work."

And so, I came to work for him, and he says, "OK. I got a problem at the Frontier Hotel. It's not making any money, and I want you to go look at it and find out why."

I said, "Could I hire a guy as an auditor for me?"

And he says, "Yes." And he says, "Who?"

I said, "Kevin DeSanctis." [laughter]

And he says, "OK."

So I've got Kevin. That was Kevin's second job. So we both went to work at the Frontier, and we started analyzing everything there, and the general manager there didn't like us, at all. His name was Phil Arce. We were coming up with all these findings, and every time I'd show Phil Hannifin, he'd say, "Oh, geez!" because this was really bad. [laughter] And it was showing that the junket programs were losing money, and all these different programs were losing money, and so, he said, "I want you to be the new vice president of casino operations there."

Of the Frontier?

Of the Frontier. And he said, "Kevin can be your assistant or something—assistant casino manager."

So, I said, "Phil, who am I working for? Phil Arce—the president of that property—or you?"

He says, "Well, on paper, to Phil Arce, but in reality, to me."

I said, "Phil, that's never going to work. That's going to be such a tough situation, it's going to be a monstrosity. I mean, it's not fair to him, and it's just not workable."

And he says, "Well, I don't want to get rid of him, and I think you could help him."

I said, "Well, there's going to be a lot of animosity."

And he says, "I don't care." He said, "That's just the way it's going to work." And, "You could take the job, or you could leave the job."

I said, "I'll take the job, but it's going to be tough."

Sure enough, it was tough. But the profits skyrocketed there. We went way, way up. We had tremendous results there, and because of the results in that property, I was getting more notoriety, and I started applying at other places, and I applied at Caesars and Hilton. And Baron Hilton really liked me. So They hired me at the Las Vegas Hilton, and I worked opposite Henri Lewin. Henri Lewin was in charge of the hotel, and I was in charge of the casino. We made huge increases in profits there, and Baron Hilton liked the programs, and he liked me. He eventually put me in charge of all the casinos in Nevada for him, reporting directly to him.

You must have taken DeSanctis with you again, too?

Yes, I took Kevin DeSanctis with me. Kevin was my casino manager there. And, of course, there were other people there. One of my key people was Bill Robinson. Bill was my casino manager at the Silver Bird and at the Frontier, and then I took him to the Hilton, and Kevin was his assistant. He was assistant casino manager. In fact, Bill Robinson is the casino manager here at the Tropicana.

So we changed everything, and then I promoted Kevin to casino manager once I got in charge of the Virginia Street Hilton.

Yes, and Kevin DeSanctis came up there.

Yes, he came up there, and he was in charge of the casino there for me, and Bill Robinson was in charge at the Hilton, and I had the Flamingo, too. I put Greg Shay there.

PHILLIP (PHIL) HANNIFIN



Phil Hannifin. Photo courtesy of Jack Stratton.

Phillip (Phil) Hannifin was born in Butte, Montana in 1934 and moved to Reno when he was ten years old. A 1952 graduate of Bishop Manogue High School, he entered military service and graduated from the University of Nevada in 1957. Hannifin then served the state of Nevada in several key administrative positions including heading the Department of Health and Welfare. In 1977, he was named by Governor Michael O'Callaghan to chair the Gaming Control Board, a role he held until resigning in 1977. Hannifin served as chairman during a period in Nevada gaming history that bridged the days when casinos were owned and operated by many unsavory characters and the introduction of corporate ownership. Six weeks after resigning from the Board, Hannifin was named director of Howard Hughes' Summa Corporation. He went on to work with gaming organizations and

interests including Harrah's West and Kirk Kerkorian, then returned to Reno to work in the upper management of Fitzgeralds.

Dwayne Kling: Good morning. My name is Dwayne Kling. I'm with Phil Hannifin at his residence in Reno, Nevada. Phil, does the Oral History Program of the University of Nevada have your permission to begin the oral history that we are about to begin today?

Phil Hannifin: Yes.

Let's start by asking when and where were you born?

I was born October 3, 1934 in Butte, Montana.

Are you married, Phil?

No, I'm widowed. My wife, Doris, died three-and-a-half years ago. I have a son, Brett, who is an apprentice for the Disney Corporation in Los Angeles, and a daughter, Mari Clark, who is married with three children. She lives here in Reno.

You said you were born in Montana. Did you stay there long?

No. I left there in 1942, just after World War II started. My father entered the service, and my mother and I moved to Wendover, and then we moved to Reno in about 1944.

Where did you go to grammar school?

I went to St. Thomas Aquinas right downtown. And I went to Bishop Manogue High School. Our class was the first class that went for the full four years at Manogue and we graduated in 1952.

When you got out of high school the Korean War was going on. Did you enter the service, or did you go on to the University of Nevada?

I didn't go right into the service. I went to the University of Nevada and after completing two years, I went to Quantico, Virginia, for a Marine Corps officer training program and was there most of the summer. When I came back to Reno I went into what was called the aviation cadet program of the United States Air Force. I learned to fly, spent some time there, and developed ulcers, so came out of the service, went back to school, and graduated in 1957.

When you were going through school, did you have any part-time jobs in gambling?

Yes, I did. I worked for Warren Nelson at the Palace Club. I worked the graveyard shift dealing keno and occasionally the roulette wheel. I worked there until I graduated, and then even after I graduated, I worked the following summer. I had been going to school at the American Institute of Foreign Trade in Phoenix. My wife and I had gone down there after we were married in 1957. The following summer when I came back from Phoenix, I worked for Warren at the Cal-Neva. But I originally worked for him at the Palace Club.

Was Reggie Parker working there at the time?

Yes. "Arky" ran a keno shift, and he functioned pretty much as the keno boss for the Palace Club. I worked on a number of different shifts, and at different times. Sometimes I worked relief, and I would work directly with "Arky." But most often I was working graveyard shifts, and, of course, "Arky" didn't work graveyard. [laughter]

Do you feel that working in a gambling casino helped you when you became chairman of the Gaming Control Board?

Oh, certainly. I knew some of the culture and some of what the gaming community was all about. Frankly, I don't know whether it was inherited or not. My father ran illegal gambling in Montana before the war, and he and Warren Nelson were friends. That's really how I got the job at the Palace Club. Actually, I wasn't old enough to work in a casino. When I came out of the service and I was going to school I got a job driving a cab, and after a couple of months that just got to me. One night I double parked the cab on Center Street by Douglas Alley and I went in and asked for Warren. I went over and introduced myself, and he obviously recognized the name. I told him I was going to school and needed a job. He said, "When can you start?"

And I said, "Right now!"

He says, "Well, go over to the pit." And I left the cab double parked. [laughter] When I left the Palace Club in the morning, the cab was gone. I didn't know what had happened. Well, surprisingly enough, about a month later, a man came in from the cab company, and he had a check for me, for what they owed me up to that point in time. And they had sent the guy down to give me the check.

After you graduated from the University of Nevada in 1957, what was your first job?

The very first job I had when I got out of school was in Phoenix. Doris became pregnant while we were in Phoenix, and when we came home that summer I was accepted by Georgetown University in Washington, D.C., to go to law school, and Senator Bible had offered me a job so that I could go through law school. But when we got here and found out that Doris was pregnant I worked that summer doing some construction work and also carrying garbage for Reno Sanitation. So I worked those kinds of jobs that summer. And I decided that really it wasn't appropriate while Doris was pregnant to go back to Washington, so I tried to look for something more permanent. There was a job opening for a juvenile probation officer for Washoe County, and when I went down and applied, I was hired. That was my first professional job.

The year after I started, we began a campaign to pass a bond issue. We were required to actually go out and get various community groups involved—especially some of the women's groups—to build Wittenberg Hall. And when the bond issue was passed, I was appointed director of Wittenberg Hall and began to work with the county engineers, finding an architect and then helping the architect with the plans and helping to put together some design features. I also traveled through California and Oregon looking at prototype juvenile detention facilities, and then we let a contract and built Wittenberg Hall.

Do you recall what year that was completed and opened?

It was 1959.

Did you have to staff the facility?

Yes, and we had a lot of people that are well known: Sammy Macias, who later became a principal locally in the Washoe County school district, and Tony Limon, who also became a principal in the school district; Frank Sullivan, who I'd known since high school, also worked there—he later became

the chief probation officer for Washoe County—and Dean Smith, who was later a publisher for Gannett in North Dakota. Dean was later a developer here in Reno, and is pretty much retired now. So a lot of young men who I had known one way or another worked there with the youngsters. In the course of that experience in juvenile work, I met Mike O’Callaghan, because he was doing the same thing in southern Nevada. We had the opportunity back and forth over time to talk a bit and to share philosophy and so forth.

In the early 1960s, the Job Corps was initiated, and O’Callaghan went to work for Job Corps as the national administrator for the Job Corps Conservation Centers, which were built on public land like Forest Service and BLM land. And then he persuaded me to go to work for him.

Did you report directly to Mr. O’Callaghan?

Yes. I had a region out here in the West, but the unfortunate part about it was that I never really spent much time out in the West. After the program started there was a tremendous amount of political pressure to open camp after camp after camp. There were people in the ghettos around the country just trying to recruit these young kids, and, in my mind, there was inadequate planning and inadequate foundation laid to really build this thing into the proper kind of a program. It was just kind of thrown together. And we had a lot of difficulties—riots in the camps and so forth. We had one camp in Patuxent, Maryland, which was about ten miles from Camp David, and there was a tremendous amount of anxiety on the part of the land grant agency that there would be a riot there and that President Johnson would be unhappy. I spent a lot of time there trying to keep the lid on that, and also in a place in Washita, Arkansas, and they were moving me all around the country.

During that time was your wife at home?

My wife was at home, and she had two babies, and that just wasn’t working out. My little girl literally thought I lived at the airport. And what they saw of me was the disciplinarian, and it was just a bad situation. I determined that I was going to get out of that, and I started looking for any opportunity to get back home to Nevada. I felt like in a sense I’d been cast adrift in this national scene some way and I was floating around far my own shores, and a good question was, “How do you get back to your own place?” And, of course, you needed the income to keep the family going at the same time, so you couldn’t just quit. I kept looking and discovered there was a department in the State Department of Health and Welfare that was looking for an assistant director. After I saw that in the paper, I traveled home to Reno and went down and interviewed for that job. This was during the time that Paul Laxalt was governor. I was hired and went to work as the assistant director of the health and welfare agency. After two or three months, there was a special session of the legislature called, because Medicaid had been enacted as legislation at the national level, and, of course, the state was required to join into this. It had been approved by the prior session of the legislature, but they really didn’t know what the economic fiscal aspects of this health program for the poor were going to cost, and it was seriously underfunded. And then as it began to unfold, it was seriously maladministered in the sense of very few qualifications being set up to screen the people coming in for the various kinds of services. As a result, the state was very quickly out of money. At that point, the state welfare director abruptly resigned and left the state. Of course, you’ve got to remember, even though Nevada is conservative today, it was *ultra* conservative then, and this program was hated within the legislative hall. So Governor Laxalt was nearly beside himself; he had to be

desperate, because I got a call to go over to his office. He wanted to know if I would step into the state welfare director's role for the purpose of getting through this special session of the legislature that was called for the purpose of finding cures and corrections for the Medicaid program, and not having any better sense, I said, "Sure."

Well, I did get through it and finally reorganized that department, and got its priorities set and got a set of qualifications in place. I had to fight a lot of fights with the various federal bureau staff members from the regional office in San Francisco, who called for classical social workers. As far as they were concerned, we churned out money somewhere in the basement of the capitol, and there was never any end to it. We got through that, but a couple of months after the special session was over, the governor had a state director of parole and probation—this is now on the adult level—who was an alcoholic, and he created a mess, which Governor Laxalt had to cope with. I knew that welfare wasn't my cup of tea, so I went over there and I said I wanted that job. And he said to me, "That'll be fine," because he felt he owed me. He had said once he owed me, and, "Whatever you feel you need, let me know."

So I took him up on it. I wanted out of welfare, and this other job was the better job and it was more suited to me. But, he said, "You have to find somebody to replace you." I had worked in Job Corps along with another fellow, by the name of George Miller, who had reported to O'Callaghan. George had spent many years on the California Youth Authority administrative system, and he was now in Job Corps. Well, I got ahold of George and told him what was going on. He was a hardbitten old guy, and didn't know if he wanted to get involved with welfare, so I said, "Why don't you just come out here and do the interviews and take a shot at it?" He was pretty much tired of this Job Corps job hopping at this point, so he came out, and he liked what he saw. He was a very capable man, and Laxalt liked him, so he became the state welfare director under Laxalt. Now we're both working for Laxalt, and then O'Callaghan called me one day when he was in Carson City. His family lived in Carson, and he wanted me to come over and have a cup of coffee with him. That day he told me he was going to file for the governorship in two months.

Was he still with the Job Corps at this time?

Yes. But he said he was going to resign and he was going to come back and run for governor. Ed Fike was the lieutenant governor under Laxalt, and Ed had always set forth that he was going to run, and everybody in the state thought he was a shoe-in. He had a mortal lock on the job. Fike had already talked to me and told me, "Don't worry about your job. You'll be fine when I'm elected." So I wasn't worried. Then here comes O'Callaghan, my friend, and he says, "I'm running."

And I said, "What are you doing? You can't win. There's no way! Fike's got this locked up."

He says, "Well, we'll see."

So O'Callaghan files, and he runs and he wins. It couldn't have been more than two or three days after he won the election, I get a call from O'Callaghan and he wants to see me. I had literally thought that in the course of the election campaign he had promised the job I was doing with parole and probation to someone else. I mean, that was not uncommon in that period of time. And so I expected when I talked with him that day, that he was going to tell me this bad news, and that's what I was mentally prepared for. Instead he told me he wanted me to become the chairman of gaming, and I totally misunderstood, and I thought he was talking about fish and game.

[laughter]

I said, “Are you crazy? I don’t know anything about gaming,” and our language back and forth was pretty rough and it wouldn’t work in this interview, [laughter] but like, “You goofy son of a bitch. What the hell are you talking about?!”

“You dumb bastard. Not fish and game—it’s gambling!” [laughter] But it was a very big surprise to me, and I said, “Well, I’ll do that, but on one condition.”

“What’s that?”

I said, “There’s not going to be any politics, and I do *all* the hiring and firing. We don’t do anything on the basis of political favor and I do all the hiring.” I don’t know why God made me say those things, but he did. And O’Callaghan was fool enough to agree. Over the years Mike and I had a close enough association to where we’d had many, many long talks about government, and good government, and so on and so forth, because we were both interested in that topic. And so he agreed, and I was his first appointment. Well, it was kind of an interesting exchange, because just prior to the election, Milton Manoukian, an attorney in Carson City for many years, had invited George Miller and I to dinner, along with our wives. As we’re having dinner Milton asked George and me, “What kind of a governor would O’Callaghan be if he were elected?” I voiced the opinion that he would be fine, except he had this terrible sense of loyalty, sometimes to the wrong people. And even though he recognized them as being the “wrong people,” he would not abandon them. He was just overly loyal. And I said to Milton, and George concurred, that, “You can look for some pretty weak appointments if he would win.” And then I was the first appointment. [laughter] George Miller never let me forget that. [laughter]

Why did O’Callaghan pick you for gaming, instead of some other position?

He wanted somebody he knew, somebody that he could trust. He was a bit suspicious of gaming, and he felt that it had been like a political playpen in terms of its staffing and that the administration of it was politically tainted. He also felt that there was a great opportunity there for people to be bribed, et cetera. He wanted somebody he knew and trusted.

So he felt that the Allen Abner, and perhaps the Frank Johnson appointments, were political favors?

Mike never said that, but that is the way I looked at it.

Wasn’t chairman of the Gaming Control Board one of the most important jobs in the state at that time?

Well, you know, you’re asking me to say something that sounds very egotistical, and probably there were several jobs that were always crucial. Gaming Control is one; the budget director is another. I mean, those are just crucial to your administration.

Did you take the job immediately when he offered it, or did you think about it for a while?

No. As I said, he surprised me that day, and I said, “Well, I’ll take it on that one condition.” And so essentially I committed to it at that time.

What year did you take over the Gaming Board?

It was at the beginning of his term, which would be January 1971.

Who did you replace as chairman of the Board?

Frank Johnson.

When a new governor comes in, does he always appoint a new chairman?

It was that way at that time. During the course of my tenure there, I lobbied to get the law changed so that there would be an overlap so that the change of the chairman would not coincide with the election of the governor, and that was done.

Currently when the new governor comes in, is it automatic that a new chairman comes in?

No. The law is now that the term doesn't cease when a new governor comes in. So ultimately the governor can either wait, or he can make a change by calling them in and asking them to resign, but I would think somebody would be a fool to want to stay in that job if they didn't have the support of the governor.

You mentioned that you took the job with the understanding there would be no political pressure to make decisions. During your term in the office, did you ever hear comments such as, "Phil Hannifin is controlled by Governor O'Callaghan. He does whatever Governor O'Callaghan says to do?"

I don't remember that I heard much about it, but there was a column in the *Valley Times* in September of 1977 that was kind of interesting. I forget his name, but he was always kind of a mouthpiece for Argent Corporation and Lefty Rosenthal, and he was a muckraker. He hated Hank Greenspun, and Hank Greenspun and Mike O'Callaghan were always pretty close. And I guess he always felt that whatever is going on is really Greenspun directing O'Callaghan, directing Hannifin. I think that's the way his head was working. What he never understood and he didn't know was that Greenspun hated me, and I didn't like him. [laughter]

[laughter]

So anyway, I don't recall during the course of time I was active down there, I don't recall anybody at least saying it out loud that I knew about. Harry Claiborne, for example, was a very prominent attorney in Las Vegas in those early years, in the early 1970s, and this was probably the time that he was on the way to federal prison. He was a very prominent attorney in Las Vegas, a very prominent democrat, and he was constantly complaining to the governor that he could not bring an applicant for licensing in front of us and get him cleared. [laughter]

So that was your fault. It wasn't the people he was bringing. [laughter]

You're right. Once I saw him at the airport—he had this good-old-boy twang—and he said, "I

could come up there with twelve people in white robes and you would send them away as sinners.”
[laughter]

[laughter]

The only demand O’Callaghan ever made of me was that we will see Howard Hughes—we will see him and talk to him personally. And that was the only demand he ever made. He would call about different things that would come up. He’d ask me what was going on, and he had his own way of asking, but he just wanted to know. He didn’t want to get blindsided. But he never, ever said, “Appoint this man.” I wouldn’t work like that, and he never did it.

Well, I imagine any governor is asked or has pressure applied by someone’s friend or family.

Well, sure, that’s the political process. But my view of it is that the problem in that is—and I know I’ve faced it myself—that they fall prey to that kind of pressure, and they’re not strong enough to simply say, “I don’t handle gaming control. You go to gaming control.” But O’Callaghan was his own man—always was—and he just didn’t have to come to that kind of stuff. He had his own ideas about what was right and wrong. He didn’t care who you were.

When appointing new members to the Board did Governor O’Callaghan talk to the chairman about it first?

Well, Mike did that. Mike talked to me. Now, what List did I have no idea. And I don’t really know what Laxalt did in terms of talking with Johnson. But I think there probably is some conversation that takes place between the chairman and the governor if there is an appointment to be made.

Who was on the Board with you when you went in?

Well, there was only one vacancy. Jack Stratton was still there from the prior administration. And after about a week there, I talked with O’Callaghan and told him I wanted him to re-appoint Stratton and keep him on the Board. Stratton had worked his way up through the agency, so he really knew the agency inside and out. And he was particularly good in communicating with the various licensees out in the cow counties. Jack knew them all, and they respected him, and he was good with them. Jack Stratton was just an enormously good human being and a real Nevadan. I didn’t think we could get anybody any more solid than him. I simply trusted him entirely.

Had you known him before you went on the Board?

A little bit, but not well. I spent a lot of time with him in that first week going over old issues, new issues, old problems, and his frankness and his cooperation were just outstanding—the kind of a guy you want next to you. The other guy was Shannon Bybee, and he was appointed by Mike. Shannon was from Ely and an attorney—a young attorney—working in Las Vegas. And, no, I didn’t know Shannon. Mike called me and asked me to go talk to him, and I did. What do you know after a couple of conversations? But he seemed fine, and he knew a lot of people, and he was younger. I knew a lot of

people in Ely and could talk to him and relate that way. It was kind of a good old boy thing. So Shannon was appointed. And I don't know who really know who brought Shannon to Mike.

So those two people, Mr. Bybee and Mr. Stratton, were with you almost your entire time on the Board?

Yes, and when Shannon left, Jeff Silver was appointed. Jeff was an attorney in Las Vegas. I talked with Jeff a couple of times, and I had met him before that. When Jeff came on board he stayed, along with Jack Stratton, until the time I left. I left before my term was up, and they were still there.

The chairmen of the Gaming Commission the majority of the time you were on the Board were Jack Diehl and Peter Echeverria. How closely did you work with these two gentlemen when you were reviewing or discussing applications for licensing?

Well, I worked with them very, very closely. Jack Diehl was the rock of Gibraltar. He practiced law in Fallon, and I had an enormous respect for Jack. He had just down-to-earth, good common sense, totally unprejudiced. Pete came on, and Pete was far more flamboyant. Pete, of course, had a great reputation. He'd been in the legislature; he had been a state senator, he had a *lot* of political savvy, and he was also an extraordinarily talented trial attorney. And, of course, he was a Nevada boy from White Pine County. Pete and I clashed a lot. That was because we looked at a lot of situations very, very differently. But I trusted Pete. As with Jack Diehl, I can't say enough about Pete. They were both excellent, excellent chairmen. Toward the end Pete left and Harry Reid came on, and I did not trust Harry Reid. I think he did things for political gain and for political favor, and it was one of the major reasons I wanted to get away from the Control Board.

You mean he would OK licenses or OK undeserving applicants?

Well, yes. There was a particular license that was so complex. The investigative report was really big, and it had to do with what people found, at least on the face of it—that there was fraud indicated in the initial issuance of stock in the penny stock market. And you really had to study this thing in order to understand its complexity. We went through it thoroughly and we voted to deny it. We then handed it over to the Commission for their action, and I think that their meeting was two days later. As the meeting started, Harry said, "Well, we have all read this." And as soon as he said it, I knew. I mean, this is a lie. [laughter] They didn't all read it! Jack Walsh was on that commission. Jack Walsh would have struggled a month trying to just *read* it, much less understand it.

And I knew I'd been had. So I determined at that point that was on the Hacienda, and Paul Lowden I was going to leave. I had talked to a banker here in Reno that I knew, and he assured me I could go to work for the bank. And so I resigned, and I told the banker I wanted to take about a month just to get myself together again. I'd been having a lot of ulcer problems, as there was a lot of stress in that job, so I wanted some time to myself. During the course of the month that I was gone, a different banker, Elmer Vacchina of the First National Bank, called me, and I'd known Elmer through my family over several years. Elmer called me and told me that he had a client. He wanted to sit down and talk with me, and he was very reluctant to name him on the phone, but I said, "I'm just not going to walk in and start talking to somebody. Who is it?" Well, it was Will Lummis.

Was he with Summa Corporation?

Yes. He was the administrator of the Hughes estate, and I had met him after Hughes died.

Before we go on I would like to take you back again to the time before you left the Gaming Control Board. We were discussing two commission chairmen, Jack Diehl and Pete Echeverria. Would you compare the two chairmen and comment on their work patterns and work habits?

Well, both men were very competent and capable lawyers, and both of them were very thorough in their preparation for the commission meetings. You have to keep in mind that the Control Board would meet first and go through its agenda and vote on whatever matters were in front of it, and then those results would go over to the Commission prior to their meeting. Typically, the meetings are separated by a week, maybe two, at the state level. And even during the time that we were doing the investigations and getting prepared for the Control Board meetings, if I recognized particular problems in an application that was going to be heard, I would relate to Jack Diehl or Pete that this application had a problem. We'd start to discuss it. They might ask for a particular piece of information to be fleshed out or developed more fully. And then when it went over to them, we would talk again.

Would the entire Commission be at those meetings, or just the chairman?

Well, typically only the chairman. Certainly one of the other members might call me and talk about it. There were a couple of really good commissioners, but they took their lead typically from their chairman. Frank Schreck and Clarence Haycock, during the time that they were members, would often call and ask for additional information or see what was going on with us so that they were mentally prepared. But both Jack and Pete were very, very thorough, and always very much prepared. And if a matter came up in front of them that they didn't feel they were prepared to handle they would defer it and send it back to the Control Board for additional work. That didn't happen very often, but once in a while it did.

Did you, as chairman of the Board, attend all the Gaming Commission meetings?

Yes, I did. When I came to that job, there were no real procedures established for how these meetings were conducted at the control board level or what the Control Board should do during the course of the commission meeting. It was just kind of hit and miss. And we established, Jack [Stratton] and Shannon [Bybee] and I, a very deliberate procedure at the Control Board. For example, we'd get page after page after page of what were called "restricted licensees," license applications for slot machines—fifteen slot machines here, five slot machines there—and it was just time consuming. You'd end up with some little bar owner, one that put five slot machines in, and you'd find out that he perhaps had a felony record in the past, so you weren't going to give him a slot machine license. And so we developed a procedure that's enormous now. If you wanted to buy your own slots and you wanted to go for licensing, you could do that. But if you didn't, you would go out to a slot leasing company and lease them some space. And it wasn't for a percentage of the profit; you'd simply say, "OK, for two hundred dollars a month, I'll give you this much work space." They would put in five or six or fifteen slot machines, and then we would license the slot leasing company, and we got away from licensing page after page of these

little individuals. We consolidated the licensing and that made it much neater. We took what was probably a half a day into a half hour.

And our process changed; it became far more legalistic, if you will, far more modeled after the justice system kind of environment. Over time we drove it that way because you did not want to base your judgement on other than what you might think of as solid evidence. You didn't want to base it on some kind of biased opinion or political pressure. If we had upfront mechanisms for people, like evidence, it took pressure away from us. If we had evidence, then that's what we're going to go on. And if you have a feeling about a guy, the feeling is not going to overcome the evidence. [laughter] So that was the model we kept striving for. And I think, overall, that approach served us well, with perhaps some exceptions that occurred over time, you just darn well knew something was haywire, but you couldn't get enough evidence to really nail it down.

Did you have to disclose that evidence to the applicant?

Well, ultimately, that process began. Originally, no. Like I say, when I first walked in there, there was not much process to it. [laughter] We developed that as we went along. And then ultimately we came up and we said, "OK, we're going to deny you based upon . . ." Or, "We're not going to deny you, but here are these issues of concern to us," and we'd set them forth. In many cases, then these people or their attorneys would ask to defer the item to the next meeting so they could then go over that. It gave people an opportunity to respond, rather than to just hit them out of the blue with this piece of information. That, I think, seems far more fair, and, again, it insulated it from the various kinds of pressures that could occur if you don't follow that model.

The work patterns and habits of Jack and Pete, I think, contributed to the way that process developed on the Board, and then, of course, inside of the Commission, because they brought a sense of fairness and fair play and tried to avoid criticism and political pressures, by way of the legal system's model, to the Board. That's continued to this day, from what I see.

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Former governor Paul Laxalt stated in his book, Nevada's Paul Laxalt: A Memoir, that shortly after Laxalt was elected governor, the former FBI director, J. Edgar Hoover, instructed his FBI people that there was to be complete cooperation with Nevada authority. Were you aware that Mr. Hoover had told this to Governor Laxalt?

No, I was not aware of that. [sigh] [long pause] [laughter] As far as I was concerned, the Federal Bureau of Investigation didn't get in our way, but they were of no particular help to us. Just to go forward as an example of this FBI business, at a point in time when we were looking at Morris Shenker's application for licensing at the Dunes, there had been all kinds of newspaper stories and *Life* magazine stories about Morris Shenker, and it became apparent that he was not a favorite of the Federal Bureau of Investigation. So we had asked them and asked them and asked them for information on Morris Shenker. Our investigation of Shenker took many months, and it wasn't until right toward the end that the FBI finally delivered to us boxes of files that were apparently investigations that the bureau had started, and they were incomplete and fragmented. They were of no use to nobody. Not once in my memory did the federal bureau give us any information that was of value in either approving a license or denying a

license.

Do you feel that might have changed because of Laxalt leaving office?

No, I don't think so. I just think that was the way the bureau was. And, in my own mind, I was never particularly enthralled by the bureau. The agency that I really would have wanted to have a better relationship with was the Internal Revenue Service, because I thought that's where the real information that I wanted to see would be. Doing record checks of felons, that's a very simple thing anymore. I wasn't worried we were going to let ex-felons slip into the nets. When we started this, we'd tell our people, "Follow the money. Just follow the money. How did this money come to be invested in this property? I want to follow it *all* the way back." And that was the investigative scheme that we utilized in all cases: follow the money. Dennis Gomes, who was the head of our, quote, "audit" department at that time, was a C.P.A. and he had a master's degree in finance, and he was an absolute whiz at this stuff. We were just very fortunate to be able to get him in that stage of his career. The FBI was not all that good at that kind of stuff; it was the IRS that was great at it. They would do things without ever telling the state that they were going to be coming and talking about it, sometimes only an hour in front of us. I always got the sense that they didn't trust the state of Nevada or the people that worked for the state, and I kind of resented that. If there was any distrust, they damn well didn't have any reason for it. So we had a kind of a stand-offish relationship. [laughter]

I had far more of a working relationship with the organized crime strike forces, which later came into existence. Their people, some of whom were justice department lawyers, some of whom were former FBI agents, gave us far more cooperation and a sense of setting forth places for us to go look in an investigation than the bureau. The bureau was never very much help.

Shortly after Governor O'Callaghan was elected, federal agents raided the Stardust looking for credit ratings and markers of high rollers. Were you aware that a raid was going to take place?

The bureau never made us aware; we were aware after the fact. We got a call from the Stardust. [laughter]

[laughter] *Did the Stardust have to show them all their records?*

Yes, under a federal subpoena they didn't have much choice. Whatever they were doing, they hadn't told us anything about it. They went in and grabbed the records and went through them. I don't think anything ever came from that.

Did Governor O'Callaghan complain to the FBI or to J. Edgar Hoover or anyone about it?

I don't know. He probably called the local FBI, but I doubt that he would have called Washington.

Did it ever happen again?

Yes. I think only once at Caesars Palace.

So O'Callaghan might have slowed them down some. They might have planned on going somewhere else.

I don't know if he could have. My guess is no. The bureau, if they're going to do it, they do it. I don't think they would much care about the governor. If he were a very, very politically powerful governor, they might have second thoughts, but ordinarily they don't. They just do whatever they're going to do.

* * * * *

In 1971 at several press conferences and various meetings, Governor O'Callaghan expressed fear that the, quote, "Mob" was infiltrating the state of Nevada. Did he ever express those fears to you?

Well, he talked about it, but it was always in generality. He didn't have any specific information. In 1971 we still had a group of owners who had been licensed in bygone days, and, of course, the standards were very, very different. But when you compare a person who is making an application for a license versus a person who already has that license, the person who has a license has some rights involved there: property rights, for example; a right to a job. A person making an application has no rights to that license. So people who were already established there, like Benny Binion, as an example, were never really licensed.

Because there wasn't a licensing process at that time?

Well, up until 1955, the county sheriff used to do the licensing.

And they would just go in and pay some money and get a license?

Yes. And Benny had that club so he had that license. That was just the nature of it. There were some concerns at the time, in various places. While Moe Dalitz was not at that time licensed, many of the people that had worked for Moe Dalitz were still active in the Desert Inn and in the Stardust, and to the federal government they were all suspects. So you're a little bit nervous about some of those people in different places. At Caesars in those early days there was a man named Jerry Zarowitz, and Jerry Zarowitz was a high-ranking executive within Caesars. But Zarowitz prior to that had a reputation—and it was probably true—as the best odds maker on baseball in the world, and he was extraordinarily astute. Ash Resnick³ also worked there. Mandy Campo, who came out of Cuba and was raised in the gaming in Cuba prior to Castro taking power, worked in Las Vegas. So there were people involved in gaming around the state who might not have been able to get licensed in our era.

And most of the people you named, including Ash Resnick, worked for several years in gaming.

Then Ash ultimately was denied. I remember denying him. A lot of it was sad. You'd look at

³Ash Resnick was a long-time casino executive and host who is said to have had mob connections.

some of these people and the only thing they knew how to do was gaming. Some of them just made bad mistakes, and when they couldn't continue in gaming their whole world was turned around. No matter how you feel about it, it's just sad.

It is, yes. And a lot of people who came into Nevada to operate gambling had been operating illegally in other states, even people like Harold Smith and Bill Harrah.

Absolutely!

So who are you going to get to run your place in Nevada except someone that had been in illegal gambling?

Exactly. That's how it was done. Nevada was staffed with people who came from illegal joints in Ohio and Kentucky and Montana. That's where those guys came from.

And that's who had the knowledge to operate the casinos.

Right.

What steps did the Board take during your term as chairman to keep the hoodlum element from getting a larger foothold in the gaming industry?

We started to be very, very stringent about the source of money, to make the entry into the business difficult, and also stringent about the money that would come into the business after it was established. We had a provision in the law called "Loans for Licensees," and we really firmed up the regulations under that statute so that we could look at these in great detail to make sure who the lenders were. And then in many cases we went back to the lender to ask, "What's the collateral? Is there collateral, or did you just make this loan out of the goodness of your heart?" We got to be very, very stringent on money coming into the business, either before or after a licensing. And we began to look at aspects other than criminal records. We began to look, for example, at what we used to call "sharpened" business practices. It's where a guy tended to be a bit shady and fraudulent in the way he approached business. If there were lawsuits, what was the nature of the lawsuit? How valid did it appear? And we'd question him about it. And if it looked really shaky to us, we'd use it as grounds to deny him. So we just tried to overall tighten up everything. Probably more importantly, we started to look at the internal operations. We began to demand the licensing of key employees, and looking at them very stringently as well.

So the licensing of key employees began during your tenure?

It had been *possible* to license key employees, but it had never really been implemented and we began to do that. And we began to bolster the regulations and financial practices within each of the businesses. We beefed up our auditing staff, always looking for a means to make sure that the money and the protection of assets within the business was getting to the end where the state got its share. So audit records became far more important. We were forcing them to go out and get certified accounting firms, as

well as having our own staff go in on a periodic basis and audit what they were doing. Ultimately, this is where we forced them to create internal policies and then we looked at their internal audits policies. This still goes on today, and I don't think there's a business in this country—not even banks—that are audited from as many different directions and as stringently as the Nevada licensee. And that's really what we were trying to build as a bulwark against organized crime people coming in our industry.

There is a state regulation called Regulation 6. Would you explain that regulation?

That's the internal audit regulation. What it did was to force people to provide, within their own staff, an independent group, reporting typically to the chief executor, the financial practices taking place in all the different departments of a hotel-casino. I don't think most people are aware of the complexity involved in the operation of a large hotel-casino, because it's like a small city. You have a lot of different activities, a lot of different people, a lot of different supervisors, and you have to know how to keep track of what they are all doing. How does your purchasing agent operate? What safeguards did he ultimately have to protect you from overpaying different vendors or for paying kickbacks to vendors? This is an enormously complex operation. And not only did we force outside auditors on them, we put *our* auditors on them. Then we forced them to have their own internal audit, looking at what was going on. And between these, if there were real serious problems, one or the other of these audits would find out. You'd see the crack in the foundation. And that's how we did it. [laughter]

So each casino or hotel-casino would turn into the Gaming Control Board their method of operation. You didn't tell them how it had to be done; you just gave them the guidelines?

Nowadays, they're starting to go more towards that, but in the beginning, we said, "OK, what you want to do is go out and get with your outside independent auditors and devise an internal audit program that meets the national standards of the accounting profession. Have that certified to us by your outside auditor as meeting those national standards. Now, if you do it a little bit different than the guy down the street, but it still meets those standards, that's fine with us." And I still think that's the best way. You can't dictate every nuance of those accounting systems or those control systems; I think it's foolish for an outsider to do that. I thought it was best to build this from the inside out. Outside accounting firms, and I'm talking about very substantial operations, are not going to jeopardize their nationwide reputation, their programs, for the sake of some local business. As long as it was certified and met those national standards, we would say, "OK, now, here's your audit plan. Follow it. If you don't follow it, and we find out about it, we're going to come down and slap you pretty hard!" And over a period of time, that happened, and it still happens today. I think it's a very effective means of control.

Well, a good thing about it is that the casino itself sets its own rules to a degree.

That's right. And those rules still have some broad framework of approval within the accounting profession, and that makes sense.

So these rules would cover in detail such things as in the pit how you would make a fill for a game?

Yes, how the money came in if a particular table had run out of money, how money was brought

to the table and accounted for as an addition to that table's bank, how it was accounted for when it left the cage, how it was accounted for when we compiled data as to the win and loss of the casino. And it was because of what we were trying to do with this internal audit and beefing up these internal controls on these operations, that we made changes in the operation of the baccarat game, which had, up to this point, been conducted in cash. We forced casinos to change from cash to chips, because it was far more accountable. We had watched and watched and watched the transitory cash [laughter], especially at Caesars Palace, where there are enormous baccarat games where you would literally see a million dollars in cash laying around on the table. We said, "No, you're not going to do this." It took us months to wear the industry down, but we finally got it on and forced them to go to chips. It was not such an issue in northern Nevada, but it was an enormous issue in southern Nevada.

Are these regulations instituted by the Gaming Control Board, or are they a state law?

Reg 6, like all regulations, just couldn't just come about out of the blue; it had to have some background in law before you could make it a regulation. And it did. We had the right to audit, and we just interpreted that part of it as being a part of the audit. We did make one major change, and it's kind of a long story. We determined that it would be in Nevada's interest if gaming debts were collectible in the court. Most of the other states would not honor credit instruments drawn by a casino because they were not legal debts in the state of Nevada. So we had spent a lot of time talking with, again, the operators in southern Nevada who did enormous amounts of credit gaming, and we got input from the people up north, and there was a real division. There was a lot of credit issued in Clark County. There was not that much in northern Nevada—by my personal standards a lot of credit was issued in northern Nevada, but not on the scale that it was in Las Vegas. So we had a real problem trying to bring these two sides of the state together to get some agreement within the industry, because we knew we had to have legislation to do this. We knew to go into the legislature with the two sides fighting was not going to get us very far, and we knew we couldn't go in alone and ask for it, because we'd just be out in left field.

So we went through this process of trying to get them to agree. [laughter] I thought the way to go was to get all the major players together and I finally convinced them it was the way to go. [Governor] O'Callaghan had a dinner at the mansion, and he invited all the major gaming executives in the state. John Ascuaga was there, and Bill Harrah was there, Cliff Perlman from Caesars Palace. And on down the line you had these gaming operators—General Nigro, who was running Del Webb at the time the gaming leaders met and so on. We had dinner, and then we started the discussion. Cliff Perlman, who was a lawyer by training, began to talk about this issue, and he was pretty much saying that the people up north were bumpkins. And Bill Harrah, who never talked—Bill Harrah *never* talked—got so angry that he made a speech. John Ascuaga got so excited when everybody was shouting and back and forth, that John climbed up on a chair. [laughter] That was quite a night.

But out of that, there was a recognition that there was a real problem—somewhere. I was able to talk to Mead Dixon and he was helpful in this situation. I even talked to Rome Andreotti. I liked Rome, and I got along with him and talked to him a lot. I think I got him to be understanding. I don't think John Ascuaga ever really did. I gave up on him. But Harrah's, because they wanted to be a public company, and so forth, I think they came to realize this was the way it should go. The legislature was pretty much nearly all for it, and so we got that passed. It was a big step forward for Nevada. Actually, I don't think Las Vegas would have grown anywhere near the way it did without it, because credit gaming really made Las Vegas. Nobody walks around with two hundred and fifty, three hundred thousand, five hundred

thousand, nowadays a million dollars in their jeans to gamble with, but they can get those markers. And that was the secret—making them [the markers] collectible somewhere else.

* * * * *

Let's talk for a minute about Deputy Attorney General Bud Hicks. What role did he play in gaming control and in gaming regulations in the state of Nevada?

The situation was, under the law, that the Gaming Control Board's budget allowed for, in the beginning, one deputy, and later on several deputies, and they were appointed by the attorney general of the state. But they were paid by and through the budget of the Gaming Control Board. At any rate, Bud was not the original deputy attorney general assigned to the Board during my tenure there. David Polley is the first one I remember. After David left, Bud came along, and Bud's dad [Carl Hicks] had been in gaming, and his brother, Larry, was a little bit later, a district attorney of Washoe County. Bud turned out to be a real fine attorney for us, and we got along really, really well, both on a personal and a professional level. He did a lot of good work for the Board in presenting our cases when we had disciplinary actions that would go in front of the Commission, in working up the basic approach with some of the court cases we ended up fighting, and in giving us good advice as we went along. The lawyers were really quite concerned, I think, with me, that I was going to overreach on the constitutional ground. [laughter] They were always trying to hold me back. [Pete] Echeverria told me one time on something I wanted to do, "Well, that's not in the constitution."

I said, "What the hell is the constitution?"

[laughter]

We always kind of joked about things like that, but Bud was very good, and I enjoyed working with him. He did a lot of good work for us.

Did he appear before the legislature a great deal?

Oh, yes, when we had different pieces of legislation or if we needed a new law, he would go in front of the judiciary committee. That was the way that he would usually approach it. And, of course, on budget matters he would go in front of the ways and means committee. When we would go in front of the judiciary committee to ask for legislation, I would typically bring Bud with me because he would have drafted the original bill. And then it would go, of course, over to the legislative council bureau, and they would work with it, too. But Bud always went with me to assure the judiciary committee, which was loaded with lawyers, that what we were doing was appropriate under the constitution and the law of the state. [laughter]

The things we've been talking about all pertain to stricter gaming law and stricter gaming enforcement. Was that a preconceived plan worked out by you and Governor O'Callaghan, or as you got more into your job did you realize that the industry needed more and more regulation?

No, we didn't have that predetermined idea going in. Certainly, although I'd worked in the

gaming industry, I didn't know that much about the regulation of gaming. And [Governor] O'Callaghan, as I said earlier, was always a little bit suspicious of the industry. But we didn't have a particular plan going in, except on a philosophical basis to provide good government, and we took these things as they came, one after another. We would just try to apply good common sense—what we thought of as common sense—and we truly were looking at what we thought would be in the best interests of the state overall. And sometimes we would get distracted. For example, in the case of the Aladdin, which we will talk about at some point, one of the overreaching concerns that was in [Governor] O'Callaghan's mind and in mine as well—and I remember [Shannon] Bybee as being quite concerned about it—was the fate of a lot of ordinary people, employees, who were about to lose their jobs.

Because of casinos closing?

Right. Yes, that's kind of a side note. There was a lot of pressure on us in different cases over the years where casinos were in very weak financial condition—the Mapes is a place that comes to mind real quickly—where there was pressure for the Gaming Control Board to do something to prop them up. And that always seemed to me to be not right. You know, people have the right to fail, [laughter] and I don't think it's the state's business to go in there and try to dictate business practices or economics to these folks, even when they're about to lose their jobs. I know it was a ticklish issue of how far the state can go or should go to preserve jobs or to preserve the economic well-being of one of these businesses. And I don't know that there's any answer to it, but I was always of the opinion that that is not spelled out in legislation or in our mission, the way we conceive of ourselves. And while I had strong feelings about them sometimes, I had to be very careful what approach we took to those various problems.

Also, some casinos stayed open too long. When they finally did go bankrupt, they'd close, oftentimes hurting the vendors.

Oh, I'm sure that happened. And then you'd get the pressure from the vendors for the next guy who opened it up. He was supposed to pay them off. We got all these kinds of problems which I thought was not the right thing for the state to be doing. Those were issues for someone else. The bankruptcy courts were designed to take care of those kinds of problems.

Yes. Not the Gaming Control Board.

Right. [laughter]

You mentioned earlier that when you were attempting to make gaming debts legal in the state of Nevada that you had a meeting with several of the casino owners and operators. In other cases when you were going to put in stronger legislation or stronger regulations or if you had problems, did you always try and bring the owners together?

Yes, it was our nature and our process to meet frequently, both in groups and on an individual basis, with various licensees to discuss what we conceived of as pending legislation or pending regulation to get their input on it. We wanted them to come in with the feeling that we could work these problems out. Obviously, they had a viewpoint on some of these things that in many cases altered my viewpoint,

because they brought an expertise from the operating side that I didn't have. So it was kind of a joint thing that we initiated, and we practiced it all the time I was there. We would communicate with these folks and see what their thoughts were. What were the problems with this kind of regulation or this kind of legislation? What were the advantages? And you'd try to work it out from there. And if you said, "Well, this language isn't quite right," then the lawyers and Bud Hicks would work with their lawyers, and we'd try to come together. You just had to work together. Sometimes you couldn't avoid it, but I didn't think that we should always be in an adversarial war.

You mentioned earlier that there was sometimes conflict between the north and the south. Was that a common problem?

I think their feeling of estrangement from one another was common. They were totally different kinds of people: the people up here have been here a long time; a lot of the folks in Las Vegas were new and just coming into the state. Las Vegas, of course, was growing by leaps and bounds and was kind of an upstart. [laughter] Yes, there was a north-south division and a rivalry. There were different kinds of business taking place. Up north you didn't have the marker play. Entertainment here is a bit different, much more of it in Las Vegas than there was up here.

And you as a chairman for the state had to try and get these places to work together.

Well, yes, because they're all one place.

So you had to have rules that were going to fit everyone?

That's right. The accounting rules in internal audit are a lot different. Again, up here the nature of the structure of the organizations in many cases is so different, and the way people handle it is different. For example, how people handled entertainers. There was always what seemed to me a lot of decorum in Reno. I mean, big names were here, but there was a certain kind of decorum, I thought. In Las Vegas they were far more pampered and catered to and put on a pedestal. Sinatra on a couple of occasions dealt cards in Caesars Palace, and we said, "Hey, this isn't going to happen, guys. Stop it!" [laughter]

And there were other occasions. Bill Ledbetter⁴ and George Gilgert⁵ from Harrah's got together one night and went on a drunk and Gilgert ended up dealing to Ledbetter over at Harrah's. Then they went over to Harvey's, and Ledbetter was dealing to Gilgert. I took both of their licenses away. I mean, there's things you don't do! But, it was just a different world. I think in some ways it's better now. I think there is more of a sense of the business world, but in some ways I think maybe in a lot of ways it was better with the oldtimers, even though they screwed up a lot. [laughter]

Do you think we've had so many regulations passed now that gaming is becoming over-regulated?

⁴Bill Ledbetter was general manager of Harvey's Wagon Wheel at Lake Tahoe.

⁵George Gilgert was assistant general manager of Harrah's Tahoe.

Well, there are times I think that that's the case, but I've been out of touch with it for a long time, and I'm probably not the best observer of that. Some of it appears to me sometimes to be "make work" for the state, but, again, I'm not the best observer at this point in my life. And the older I get, the more anarchistic I am. [laughter]

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One of your first appointments was Tom Carrigan, as Chief of Enforcement. What precipitated that appointment? Did you know Mr. Carrigan before? Did you feel there was a weakness in that department?

Well, the answer to both questions is yes. I knew Tom before. He had been a police officer, a captain in the Reno Police Department. When I first met him, he was working as a juvenile officer, and I had been working at Wittenberg Hall, so we knew each other from there. Tom had become a captain in the Reno Police Department. And at a point in my life I was not only the director of the state department of parole and probation, but I also, at the same time, was the director of the first state narcotics department. In that capacity, I had reached out and drafted Tom from the Reno Police Department, and he headed up, under me, the original narcotics division for the state of Nevada. When I moved over to gaming, I went back and took Tom out of that job and brought him over to gaming because he was a very competent investigator. The reason I brought him over and put him in was because there was a man there by the name of Harold Anderson, and Harold was an elderly man in his seventies. Harold had been an FBI agent, retired, and he was working for the board under Frank Johnson. I just thought that Harold was not the kind of energetic, vital person I needed in there. He had a great fear of flying, and he wouldn't fly to Las Vegas. So when I needed him in Vegas, it was like a full day before he could get there. And so I made a change and brought Carrigan over.

Did he stay with you all the time that you were on the Board?

All the time I was there. He left shortly after I left. About four or five months after I left, he left [the] Gaming Board.

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In March of 1967, Howard Hughes made the first of his many casino purchases when he bought the Desert Inn Hotel from Moe Dalitz. The State of Nevada and/or Governor Paul Laxalt felt the presence of highly-respected businessman would improve the state's image. So to expedite the licensing process, Mr. Hughes was never asked to make a public appearance. Who actually decided that Howard Hughes didn't have to appear there in those early years?

I think that was a decision made by Laxalt with Frank Johnson. I think there were great pressures on Paul to try to get rid of some of the people that the federals were upset about. And they had been upset. Frank Johnson told me he had been fighting with Hoover and Senator Kefauver. So, yes, there was a lot of pressure on Sawyer and then on Laxalt. So Hughes, I think, looked to them, or looked to Paul and the people around Paul, as, "Here's an answer": he buys the Desert Inn, and Moe Dalitz is gone.

Buy something else and another one is gone.

Yes. And so the issue of interviewing him probably didn't seem all that important to them at the time, but it came back to haunt them. I guess they just assumed everybody knows who Howard Hughes is and everybody knows his history. And he's obviously not organized crime. Why do we need to fool with it? I mean, it was probably that kind of thinking. And if you push it, Hughes won't do it. I think that was probably the kind of debate that went on over Hughes. But then he kept acquiring things, became a large economic force in the state of Nevada, and still nobody had seen him. And, you know, that was fine, I guess, with Hank Greenspun for a long time, because Hank thought he was going to get a lot of economic benefit out of it. Hank and Robert Maheu were, I think, rather close. Then when the Hughes Tool Company moved back in, and in a surprise move went in and took over the cashier cages of the various places and threw Maheu out, Greenspun went ballistic. His newspaper drummed up an awful lot of public pressure, which is when O'Callaghan stepped in, and he later was pressured, "Well, what are you going to do about Hughes?" And that's when he, of course, said, "We *will* meet with Hughes." [laughter] But at any rate, when I came into the business, the coup had already taken place, and Maheu was gone. And the Hughes Tool Company, not Summa, was in charge of these places. Hughes had retained the title of president, and the executive vice-president, running the daily operation of ToolCo, was Raymond Holiday.

Did they have to be licensed?

Holiday did. And there was a corporation attorney involved in that business, Chester Davis, plus there were several other names: Bill Gay, and a guy by the name of Howard Lesch. There were maybe seven people. But Holiday, Gay, and Davis were the main men. The whole board of Hughes ToolCo were all decent human beings with no records. They were just good business people running the Hughes Tool Company.

The question that Greenspun had raised was, "Was Hughes alive, and did he agree to this change of control?" Well, there was never any change of control. ToolCo bought and owned all of the Hughes properties with the single exception of the Silver Slipper, which Howard Hughes owned individually. It was not a corporation; it was a simple Hughes ownership. ToolCo was definitely a corporation, and owned all the other properties. Maheu was interesting. On the one hand, he would tell the people at ToolCo that they had no control over him because he was simply a consultant, not an employee. Then he would tell other people that he was the president or the chief executive officer of Hughes's Properties, which was one of the entities that ToolCo owned at that time. So, I mean, he was dancing in the middle here, and that was part of the problem that ToolCo had with him. He wasn't going to recognize the board of directors, and he was going to do just what he said he was going to do, whatever. He would say that he had talked to Hughes, and this is what he wants. But nobody knew if he did or didn't! [laughter] Bill Gay had surrounded Hughes with—I guess the best term to use is a group of male nurses. They were all Mormon. And I don't know that that means anything, other than Hughes had hired Bill Gay, who was a Mormon, and Hughes became enamored of the Mormons because of their morality: they didn't drink, they didn't smoke, and he began to trust them. As Gay rose up in the organization, he filled in behind himself with other Mormons. Ultimately, when Hughes went into seclusion, he was surrounded by these folks who were all Mormon, and Gay was the leader of the band. He was operating a bit outside of ToolCo. He was on the board of ToolCo, but he was operating in a little bit of a different area, too. Now,

there were a lot of things going on within this big company.

Jack Real—that name becomes important, and I better mention him. Jack Real was an executive with Lockheed. He was an aviator, and he had a long-term friendship with Hughes. I first met with Real after I had come onto the Gaming Control Board, and I was, of course, trying to determine if Hughes was really in charge of this. I mean, who was running this great economic block in the state of Nevada? Who was really in charge of it? Was it Maheu and he'd been illegally deposed? Was it ToolCo? Who was rightfully running this operation, and did they have the blessings of Hughes, and was Hughes, in fact, alive to direct, because he was the licensee? So I started to track down people that knew Hughes over the years, and there were people in Las Vegas who knew him. Del Webb was one. I talked to Del Webb. But ultimately, I was directed towards this man Jack Real. And I met with Real in Miami. Real was the guy that organized the exodus from the Desert Inn. He brought a plane up from Lockheed and landed at the North Las Vegas airport. Then they went and got Hughes and took him down the fire escape on the north side of the old tower of the Desert Inn, and hustled him off in a limo, put him on the Lockheed, and that's when Hughes disappeared.

And when first I met with Real, he was fairly forthcoming. He told me a lot about Hughes's prior, young life and his life as an aviator. He wouldn't say too much about the current business, other than to say that Hughes was alive and that it was Hughes's desire that Maheu be removed and that the ToolCo board of directors was the governing body and properly so. That didn't mean that much other than I got the interview with him and got that perspective. I later interviewed Chester Davis, who was an attorney, Bill Gay, and all of these folks. So ultimately, we began the licensing process for them so that we would have somebody to turn to for the operation of these properties. One of the issues that, again, came to bear was the pressure from Greenspun; you could see it. You could read it every morning in the *Sun*. Greenspun was pushing to have the state take some Draconian action: close all these places or assume control of all the properties, all of which was not provided for. Taking them over wasn't provided for in the law, number one. Closing him would just be impossible; there were too many jobs at stake, and too much of the state's economy had been taken over by Hughes. We just couldn't do it. In my mind, you couldn't have done it.

So we were trying to find another solution for maintaining control over these operations, and still trying to determine if Hughes is alive or dead, who's running this place, and should they be? We couldn't close the Sands, the Desert Inn, the Landmark; there were just too many jobs at stake. They were held under a corporate umbrella, so if you took action, you had to take action against all of them; you couldn't single them out except for the Silver Slipper, which was owned individually by Howard Hughes. So that's where I poked at him. I didn't immediately realize it, but it became clear after a while that that was a particular sore spot, because that was the place where Hughes was making all of his political contributions. The public corporation there could not make political donations, but an individual could, so he was making them through the Silver Slipper. [laughter]

Was that his main reason for keeping the Slipper in his name?

I don't know. Maybe it was an oversight when he acquired it. I truly don't know the answer to that question. But anyway, it became the vehicle that either he or Maheu chose to use to start siphoning money off to those politicians for various reasons, national, and state. Well, I finally told him that I was going to close the Silver Slipper, unless arrangements were made for the governor to meet with Howard Hughes. And after a lot of back and forth, back and forth over this, it was agreed that we would meet with

Hughes. At the time it was agreed, Hughes was in Managua, Nicaragua. There's a hotel down there built like a pyramid, and he was staying in this hotel. O'Callaghan and I were scheduled to go there, but three days prior to the time we were to leave to go down there, there was an enormous earthquake that just devastated Managua—the whole town was destroyed. And, of course, the Hughes people didn't know whether Hughes was alive or dead. Nobody knew. It was about three days before Hughes got out, and I later found out that Hughes got out of Managua on a Cushman motor scooter. [laughter] At any rate, our trip to see him was canceled, obviously. I forget off the top of my head Howard Hughes's itinerary, but he went up to Vancouver for a while, and then he was in Toronto, and ultimately, he ends up in London. In the meantime, I hadn't let up the pressure. Ultimately, he went to London, and he established at the Inn on the Park. A nice hotel. So O'Callaghan and I fly to London to meet with Hughes.

Who made the arrangements for the meeting?

Primarily Gay, but Davis was involved. Davis obviously was trying to fight us off. Anyway, we get to London and we walked into his suite at one [o'clock] in the morning, London time, and we left there about four o'clock in the morning. He appeared in a bathrobe and slippers, and he was well-barbered, clean, and quite rational. I had really prepped myself on Hughes' history, and I spent some time asking him some rather arcane questions just to assure myself who the hell this guy was.

Was he friendly and receptive?

No, he was an arrogant, egotistical kind of a man in that he was not the kind of a man I'd ever want to go have a beer with. [laughter]

He acted like he was doing you a favor?

Really. But he was very forceful in, "These are my properties. I'm going to run them the way I want to run them, and these are the people I picked to run my properties." And we talked about what his plans were. One of the things he said was that he foresaw the day when Las Vegas would be a regional hub for air traffic throughout the West. Well before he bought the casinos, he'd owned vast tracts of land in southern Nevada, and he foresaw the time when he would build this massive airport and these hotel-casinos were going to fuel all of this other development.

Was there anyone in the room with him?

Oh, yes. Gay was there, Davis was there, and two of what I call the Mormon mafia. [laughter]

Was it just you and Governor O'Callaghan from Nevada?

Yes. And you have to remember there was a point in time before this occurred when Hughes, in order to dispel all these rumors about his death, had called a telephonic press conference with, I believe, three reporters that he had known for years and who knew him. One of them was Robert Bennyhoff.

Was Frank McCullough there?

Yes, I think McCullough was. Anyway, he called a telephone press conference and he had talked with them via the telephone. He answered a lot of questions from them, and they all said, “Yes, that’s Hughes.” And that tended to diffuse a lot of the rumors and so forth. When we went over, we talked to him about different things and what were his plans in Nevada and were these people really supposed to run it, and he called Maheu a lying, thieving, son of a bitch and he was yelling. So we got the distinct impression he didn’t like Maheu and Maheu was gone. He said, “These are the people I want to run it,” and he pointed to Gay and Davis. But it also became clear that this was the first time that Davis had ever seen him. And Gay hadn’t seen him in seven or eight years, but the Mormon mafia had seen him. What the hell did they call it? They called it the “site”—he’s “on site.” And wherever Hughes was, that was on site. “We’re going to call site,” they’d say if they wanted to talk to him. I’ll tell you a cute story in a minute. So anyway, O’Callaghan, in the course of the long conversation, towards the end, tells Hughes that when he gets back home he is going to let the press know that he has visited with Hughes, seen him and talked with him and that these are his desires and so forth. Hughes erupts. He goes nuts, yelling and screaming. Hughes is deaf, and he had an old-fashioned earpiece, like a plug, in his ear, and an amplifier a little smaller than a pack of cigarettes. And then when you spoke, he’d stick it out towards you so he could hear. And he’s yelling and carrying on. And as he starts this, Gay and Davis are trying to calm him down. And I’m dumbfounded, [laughter] but what touched him off finally came out. He believed that in the prior telephone conference with these reporters he had committed to them and given them his word that if he ever talked to the press, it would be to *them*. So he felt that his word was at stake. And O’Callaghan, of course, when this happened, he’s like a bull, and he’s bellowing back, “I’m the governor of the state, and I’m going to talk to the people of my state!” And when this is going back and forth, it was crazy. Davis was finally able to convince Hughes that, no, Hughes wasn’t talking to the press, it was the governor of the state who was talking to the press. And Hughes finally accepted that, which ended our visit. [laughter]

Did he ask you to go?

No. And it was not a good note to end on, but it was clear that it was a good time to end the interview. It was about four [o’clock] when it ended, as he slept days and was up nights.

Later on I went to work for the Hughes organization after Hughes died, and Will [William] Lummis, who was his first cousin, became the administrator of the estate. Lummis wanted to get rid of Bill Gay’s people and their influence. They had their offices in Las Vegas, and Gay’s office was two floors below ground, with no windows, obviously, and Lummis told me, “That’s your office.” So I took over the office, right? [laughter] The office was a big, big room, but in one part there was a small door and a small space a little bigger than a typical phone booth, with a locked steel door. I didn’t pay too much attention to it for about a week, and I finally called the buildings people down, and I said, “Open that door.”

“Well, that door is never to be opened.”

“Who told you that?”

“Bill Gay.”

I said, “Oh, I’m here now. Open the door.” Well, they opened the door, and it was all just total concrete. There was a little steel seat in there and nothing else—*not a thing*. There’s not even an electrical plug. There is nothing, just this room, concrete, with a steel door. So now I start asking questions of the

people who had been there before and they said, “Oh, that’s the room where Mr. Gay always talked to Mr. Hughes.” He’d get up from a meeting and he’d say, “Time for me to talk to ‘site.’” And he’d go in this little room and apparently sit down there for fifteen minutes, and come back out. I mean, this thing was a fairy tale. We later found out, too, in the course of going through the estate and trying to get it straightened around, that one of the members of that Mormon group—I call them the male nurses—had built a house in Salt Lake City, built the whole house on a Hughes company credit card. It was just stupid. So at any rate, after we had met with Hughes, we came back, and the governor called in the press and told them about our visit, and that was pretty much the end of that kind of a problem with the Hughes group.

Did Hank Greenspun accept it?

He constantly harped and nagged about it, what they were doing, what they weren’t doing. He wasn’t going to give up, but there really wasn’t that much that could be done. Hughes had been seen. He said these were the legitimate people in control, and so we went from there until 1976, when Hughes died, and that’s when Lummis came in. In the meantime, before that, Hughes had told us the night we visited with him that he had wanted this company renamed Summa, and that meant “the highest.” And it was a spin-off; as I told you, there was ToolCo, and that group was over doing their thing, and Gay was out trying to do something else, and then there was Maheu. So there were all these competing forces within the Hughes empire. But the people in the tool company had been promised for years and years and years that they would get shares in the company. And Hughes never followed through. At one point, [William] Hewlett and [David] Packard worked for him and he did the same thing, promised them shares in Hughes Electronics, and never gave them any, so they left. Well, at any rate, they spun off Summa, and that was what Gay wanted, the casinos and the real estate in Las Vegas. So that all came off from ToolCo, and then the people at ToolCo went their merry way in the oil business. And then the Hughes tool company became a public company after having been a private company before that.

Did Summa become a public company?

No. Never did. And, of course, when Hughes died and Lummis took over, he had to work with the estate in order to try to unravel all of this. There were several shirt-tail relatives, and before the estate was probated some of those people had died, and they had heirs, and it really got to be a difficult situation to handle as an estate. I met many of the heirs, and they were just ordinary folks, and they wanted a little bit of this estate to buy a new car or pick up a new carpet or whatever.

And so the pressures finally became strong to sell the casinos. They were old and worn out at the time they were purchased and we tried to bring them back up to speed, but you could never really get up to the point where you were competing with the Caesars Palaces of the world or what Kerkorian had done over at the International. So ultimately it became clear that they had to sell them, but that’s a different part of the story.

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Well, part of the reason that Laxalt and everyone was so obliging to let Hughes in was that they wanted to get rid of the hoodlum element or the mob. Do you think that in many of those casinos, although the owners were out, there were still a lot of undesirable characters working there?

Yes, I'm sure there were. I mentioned Jerry Zarowitz was at Caesars, and Ash Resnick and Mandy Campo, and folks like that. At the Stardust there were an awful lot of folks who had been with Dalitz in the old booze-running days in Cleveland. And so, yes, there were people like that scattered throughout the business.

In your judgment was it a good thing that Hughes came into Nevada or a bad thing?

In my judgment it was good. Probably in importance, Hilton's advent in Nevada was really more meaningful in the long term, because that was really a big, well-recognized, public company. You have to remember that public companies had only been legitimized in the sixty-seventh session of legislature. They really were not that common yet. Hughes advent was good, I think, because it did buy up some of these places where ownership had been suspect. It did cause problems over the years in terms of the state's relationship with the federal government. I don't think it caused problems in the business sense, and people like Moe Dalitz in a lot of ways were very good citizens of Las Vegas. I think a lot of those people were. Las Vegas became their home and they did a lot of good in that community. But I think the Hughes acquisition was good for the image of the state of Nevada, and it focused a lot of attention on Nevada getting rid of all this, quote, "mafia" stuff. However, the big public companies that came in, I think, were more important in the long haul, and Hilton was about the first of the big ones to come in. When public shareholding was allowed, that's really what allowed gaming to take off.

* * * * *

Phil, let's talk about what a junket operator is, and what role they play in Nevada.

Well, "junkets" was a term applied to trips made to Nevada by groups of gamblers who were organized in cities around the United States primarily. There would be a person from that area who knew most of what they called the "sporting crowd," that is, the people who might like to gamble. You would make a proposition to them that if they came out to the Dunes or the Sands or the Riviera, wherever it was in Las Vegas, that their room, their food, their beverage, and the shows would be paid for by the different casinos and hotels that they were staying in. It was simply an organized trip, organized by somebody who was a gambler who knew a lot of other gamblers in a particular area.

When they first started out, did the organizers have to tell a casino how much credit the players could have?

No. When they originally started—and they started before I became chairman—my understanding of their genesis was that in the beginning there was no credit; there was simply free travel, free room and board, and free shows—that type of thing. But as this thing evolved, then, yes, they would talk about credit, or they would grant certain amounts of credit to various of these players. Well, the casino needed someone who could be a reference point. Let's say it was a group coming out of Cleveland. If we think about a group coming out of Cleveland, the casino people would need to understand who was coming and how trustworthy they might be with regard to paying their gaming debts. And you have to keep in mind, when this started to evolve, gaming debts were not legal in the state of Nevada; therefore,

they were not legal or collectible in other states. So it was really a gentleman's agreement, and the casinos wanted to know that these people would live up to their agreement. That was the origin of it. And it evolved even further from that, because later on as these groups came, they learned to demand more and more. There were higher credit limits, more time to pay the credit. Then some of them would come without an organized junket. They would just come out on their own, and then they would ask for their airfare to be reimbursed and, of course, their hotel bills. Then it really got to the point of being somewhat ludicrous, because there were people who would gamble as much as one or two million dollars on the trip, but then they would want a discount on the amount that they lost. Some of the clubs got into trouble doing that, and it was, I thought, a horrendous situation. It's just a very, very poor way to do business. So that's basically a shortened form of the junket business.

Did the clubs get competitive, as far as giving discounts? For example, would the Dunes give a larger discount to someone and try to attract that business?

Oh, junkets became extraordinarily competitive, and the people who were adept at bringing good gamblers were much in demand. And there were other games that went on. For example, a club might go to a good junket organizer and offer him more than he was currently earning, and the junket organizer would then move over to this new casino. Some of the smart casino owners would use him for six or seven or eight months and acquire the names, addresses, phone numbers, and credit history for all of his good customers. Then they would get rid of him, because now they had that list. [laughter] They could do it independent of him. It was a real cutthroat operation.

By discounting the amount of money that the person lost, aren't they hurting the state's portion of the gross gaming revenue?

Well, that argument was my position, and I argued it and argued it. But ultimately, it was decided that, no, until that money was paid, it wasn't gaming winnings.

Would you go into a little more detail of why it was so important that junketeers be licensed?

Well, these people were beginning to have a big impact on the business, especially in Las Vegas on the Strip, in terms of the kind of gamblers they were bringing in, the amount of money that was involved in this effort, and the collection of that credit. For example—again using Cleveland—a man would come out from Cleveland, he would lose a hundred thousand dollars on credit, and he would return to Cleveland. Then the casino where he had lost the money would depend on the junket organizer from Cleveland to visit the man, talk to him, collect the money, and remit it back to Las Vegas. Well, the skill with which the junket organizer would collect it and get it back to the casino, and the timeliness of getting that money back, all became part of the credentials for the junket organizer. And also, what was going on in Cleveland, how was he collecting? Was he breaking legs or just being very persuasive? So the whole thing called out for some kind of state supervision, and licensing became the method to use.

How did the total amount of junkets that came to Reno compare to the amount of junkets that came to Las Vegas?

Oh, there were very few that came to Reno. Back in those days, Harrah's brought a few into Reno, and at that time no one else really brought anything into Reno. Maybe after John Ascuaga built his first little hotel, he brought a few, but they were minimal, minimal. In Las Vegas they were a big, big piece of business.

In 1975 there were two Hawaiian men, Wilfred Pulawa and Alvin Kaohu, who were entered in the "Black Book." Several people applying for a junketeer license in Hawaii were denied a license because of their alleged association with Pulawa and Kaohu. In later years, did this action cause more stringent investigations into Hawaiian junket applicants than perhaps from other areas?

Wilfred Pulawa and Alvin Kaohu were *alleged* to be members of a Hawaiian organized crime group, and they had very poor reputations with the police agencies in Hawaii and with the federal agency in Hawaii. The Gaming Control Board, in looking at these people, determined that they were, in fact, not the kind of people we would want in Las Vegas connected with our casinos. Hawaii became a difficult area for the Control Board to work, because the culture was somewhat different. Oftentimes there was a language problem, and I think we always felt somewhat uncomfortable about who was bringing people over from Hawaii, and at one point in time, there was a significant number of people coming over from Hawaii. Sam Boyd was a partner in the Union Plaza, and Sam did an awful lot of pioneering as far as bringing Hawaiian groups in. And later on when Sam and his son Bill bought additional casinos, that Hawaiian business became a very strong part of their whole marketing effort.

In these junkets, did people ever bring over a lot of cash that was perhaps illegally gained?

Well, you never knew how they got their cash. We did get lists of the people coming in, and, in fact, the sheriff of Clark County on a couple of occasions met people coming in on junkets at the airport and turned them back. Some of these people coming in were people of very good reputations, but you never know when someone is carrying cash how it was generated.

Some of the junketeers that were operating in Las Vegas at the time were quite well known, such as Hymie Lazar and Julie Weintraub. Did you ever come in contact with any of those people?

Oh, yes. I knew and ran into Hymie Lazar quite often. What I remember about him is that he was looked upon by the state as not a really good person to be involved with. Julie Weintraub primarily worked for the Dunes. I think in later years he moved to another property. But if my memory serves me right, Julie Weintraub was originally in the jewelry business, and in the early years of the junket business he became the largest producer and the most well-known of all of the junket organizers. He brought a lot of people and a lot of money into Las Vegas.

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Let's talk about the Tropicana in 1971 and a gentleman named Deil Gustafson.

Deil Gustafson came to our attention in 1971. He was a banker in Minneapolis, and he apparently was quite successful and well known in that area. And, of course, being a banker, one always thinks of

him as being a pillar of the community. And he was at that time a good business person, apparently, with no problems in his background. He grew up on a farm in Iowa. He had a master's degree from the University of North Dakota and a law degree from St. Paul, Minnesota. He taught economics at the University of Minnesota and was involved in Hubert Humphrey's 1960 presidential campaign. From there he went into business, and the *Wall Street Journal* estimated his net worth between twenty and thirty million dollars about the time he applied for a license in Nevada.

So he looked like a very good candidate to own a casino in Nevada—good background.

Indeed he did, although the Tropicana at that point was somewhat run-down at the heels and in need of a lot of capital expenditure to bring it up-to-date. It had not been well run, had not been making money, and after Deil took it over, it continued to not do well. He was soon experiencing a cash flow problem, and onto the scene came a woman by the name of Mitzi Stauffer Briggs, who was an heir to the Stauffer Chemical fortune. Stauffer, of course, had operated a huge plant in Henderson, Nevada, during World War II. Mitzi Briggs was probably in her late forties, early fifties. She'd been married. I think at that point in time she was divorced. She had one or two children, and she did have money. Somehow, she had been made aware of this opportunity to buy into the Tropicana, and she was very, very enthused by that opportunity; she really wanted to be a part of it. She always referred to the Tropicana as the "Tiffany" of the Strip, and it was, at least in my view, far from that. But Mitzi got involved. She was not a person who brought any history of business acumen to the operation. She was, in my mind, quite naïve, and the property continued to slide downhill.

I think out of the business difficulties they had, they began—which is not uncommon—to bring in people of dubious quality, all in the hope that their business fortunes could be turned around. And ultimately, they brought in a man by the name of Joe Agosto, and Joe Agosto had a lot of problematic history, so the Gaming Control Board did a lot of investigations on Mr. Agosto. And ultimately, if my memory serves me right, Joe was denied, although there was still a feeling that he may have been involved in making very significant business decisions for the whole of the company, although he was only leasing the showroom, and his role was to be only in the production of entertainment. The Control Board continued to take issue with that position and believed that Mr. Agosto was doing more. This whole affair was still ongoing when I left the Control Board, but I found it interesting that after I left the Control Board, Mr. Agosto took out a full-page ad in one of the Las Vegas papers—it must have been the *Sun*—to attack me personally, because I had refused to license him [laughter]. He was quite irate.

And he blamed you personally?

Oh, yes. I was the thorn in his side.

Were Agosto and Mrs. Briggs eventually forced out of the Tropicana?

Well, this was after I left, but, yes, Gustafson went to prison, and Mitzi Briggs lost most of her fortune. And actually, she had to go back to work. The last thing I heard of her she was working as a clerk in a jewelry store. And Agosto and some of his minions were forced out of gaming. I thought it was an extremely sad situation, because you took people such as Briggs and Gustafson, who had, prior to getting involved with the Tropicana, been very successful. Then after coming into a business that they did not

understand or know how to work with, they both not only lost their money, but they lost their reputations. I always felt very sad, especially about Mitzi Briggs, because I thought it was such a personal tragedy that this woman would lose so much in a venture in which she was so enamored. A very sad chapter.

She must have felt that running a gambling casino and making money was a very easy thing to do.

Well, she was naïve. So many people don't understand that this is a very complex business, cash intensive; there's a constant need for new capital expense. Operating a fairly large casino is like running a small city: you have an enormous payroll, you have a huge tax burden, and your utility bills are a king's ransom each month. It's a very, very difficult undertaking, and if people don't understand how to market such a business it becomes, for so many, a serious failure. We see that throughout the gaming history of Nevada, the places that start and go broke, start again and go broke. There used to be a saying in the business many, many years ago that the third bankroll would be the successful one. [laughter] So it's not an easy business, and we see it even today. We're apparently about to see the bankruptcy of the Aladdin now after it's been refurbished at an enormous cost. Apparently, it's about to go into receivership. So the game goes on.

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Allen Glick and Frank "Lefty" Rosenthal were two people who were frequently in the news when you were on the Gaming Control Board, and even long after you had resigned from the board. Would you tell us about Allen Glick and how he got his start in Las Vegas?

Allen Glick, if I remember correctly, got a law degree at Western Reserve University in Cleveland, and then went into the service, was married when he got out of the service, and had one child. He was working for a title company in Cleveland when he became acquainted with a developer through his work at the title company, and that gentleman ultimately offered him a job in San Diego. His name was Dennis Whitman. Dennis Whitman asked Glick to move to San Diego and become part of his development company there, called Saratoga Development, which Glick did. He apparently had an arrangement with Whitman to the effect that if the company did well, and Glick was a big part of that success, he would acquire from Whitman a large stake in that development company. And all of that came to pass.

About that time, the Hacienda Hotel in Las Vegas came up for sale. It was an older, run-down property. It had been through a business rearrangement and there was public stock available. Judy Bayley was the primary shareholder at the time by way of an inheritance from her husband, Warren. She was getting along in years, and the place was up for sale at a pretty attractive price. At any rate, Glick comes along and makes arrangements to purchase the Hacienda. He borrowed money for the down payment from Saratoga Development. As we got into the investigation of Glick and the source of his money, we found out that Mr. Whitman had given Glick 45 percent of Saratoga Development, which had a valuation of some two million dollars. Now, a lot of that was in land, and those valuations may have been suspect, but the economy at that time was in one of these real estate bubbles and everybody thought that land and real estate values in southern California would always go up, up, up. So Glick was able to leverage his 45 percent share into enough cash to make the down payment on the Hacienda. As we looked at that, we went back to Whitman to ask him why. This was kind of an interesting thing to me. You go out and you

hire a young attorney in Cleveland, you bring him to San Diego, and then a couple of years later, you turn around and give him just a little less than half of your company—of *your* company. Now, why in the world would you do that?

Mr. Whitman, who *seemed* to be simply a land developer, a reasonable, intelligent businessman, simply said, “Well, it was mine to give away, he was valuable to me and I wanted him as a partner.” Well, that was kind of a crucial point to us in the Gaming Control Board, because other than that, Mr. Glick did not have any money. So to buy a casino on the Las Vegas Strip—and the only way he’s going to finance this is by the use of an interest in the company that he achieved through a gift—didn’t seem wrong, but it seemed a bit unusual, perhaps a little suspicious. At any rate, it was so much a question in our minds that Pete Echeverria, who was the chairman of the gaming commission at the time, and I traveled together to San Diego to talk to Mr. Whitman. And we had a lengthy conversation. It went on for, I think, over an hour. And Pete Echeverria, as many people in the state will remember, was a very accomplished trial attorney, and very charming at the same time. Pete put on a stellar performance while at the same time, interrogating Mr. Whitman as to why he would be so generous to Mr. Glick as to give him nearly half of his company. Finally, Mr. Whitman became so frustrated with our refusal to accept his answer, he reached out and picked up a regular pencil, a carbon, wooden pencil, and he said, “Look at this.” He said, “This is on my desk. It’s a pencil. It belongs to me.” And he broke it in half, and he threw the two pieces away. He said, “You see, that’s my pencil. I can do anything I want with my pencil. And this was my company, and I can do what I want with my company! I gave part of it to Glick.” And that’s as far as we ever got with any explanation as to how Glick came to be in control of nearly half of Saratoga Land Development. But the point was, Saratoga was a very legitimate operation; it had no clouds or problems with it. So there we are. We don’t quite know how this came to be, and we’re a little bit wary of it, but there’s nothing illegal that’s transpired, nor can we say that any of the players that we can see at that moment in time have any history of any illegitimacy. So Mr. Glick is licensed at the Hacienda.

That was the beginning of a fairly short career in the industry, but he grew much larger than the Hacienda, because he then got involved with a man named Todd Derlachter. Derlachter had been hanging around Las Vegas for some years, and he knew many different people in the casino business. He had some connections within the Recrion Corporation, which at that point in time, owned the Stardust and the Fremont hotels, the Fremont being downtown and the Stardust on the Strip. The Stardust had formerly been owned by Moe Dalitz, and was of some historical note, because when Howard Hughes bought the Desert Inn from Moe Dalitz, he also made an offer to buy the Stardust. Then the federal government had stepped in and said the Hughes acquisition of the Stardust from Dalitz would have created a monopoly. I don’t think that ever got to an official declaration, but it was an informal ruling, if you will. And so the Hughes people had backed off from the acquisition of the Stardust, which in a way is probably too bad, because it would have perhaps alleviated problems that developed later on with Recrion et al.

When Mr. Glick got that first loan, did he get that from the Teamsters?

I don’t think the Hacienda loan was a loan from the Teamsters. But as he got into Recrion, which did have the Stardust and the Fremont, he then apparently got involved with some people in Recrion, who in turn had good connections with people in the Teamsters’ pension fund. And in particular, Glick met Delbert Coleman. Delbert had been the principal shareholder in Recrion, but he had troubles with the SEC, so he wasn’t taking an active part in the company, although he still owned a lot of shares in the company. He apparently introduced Glick to a man named Al Baron. Al Baron was an attorney. I believe his home was in Chicago, and he was the asset manager for the Teamsters’ pension fund. Working with Baron, Glick was able to put together a two-million-dollar deposit. He borrowed a million dollars from

his old friend Whitman at Saratoga Land Development, and then using that million, he raised another million dollars from a bank in Nashville. So now he had two million dollars and he used that money to, in effect, put a binder on the sale of Recrion, and it was really kind of an option. If he hadn't been able to perform the balance of the contract, his two million would have gone to Coleman.

At any rate, he was working with Al Baron, and was then able to arrange a loan from the pension fund. Glick had already borrowed money from the pension fund for an office building in Texas, and I think that was probably a logical thing, being in the real estate development business. The big pension funds—the Carpenters, the Teamsters—were always looking for ways to employ their money with a good return, and real estate was one of the ways that they favored, because it gave them some tangible kind of collateral. At any rate, Glick, apparently being already a customer, if you will, of the pension fund, they knew him, and he's apparently reliable in their view, so they loan him sixty-two million dollars for the acquisition of Recrion. They had already put money into Recrion prior to this. They had ten to twelve or fourteen million dollars already invested in Recrion, and that was going bad, so the loans weren't very good. When they loaned the sixty-two million dollars to Glick you could look at it from their point of view and say, "Well, we're going to get an operator in there that we trust more than the current operators, because we've got some money in there that we think is at risk." So they lend him the sixty-two [million dollars], and within a few months, they refinance the whole thing to incorporate the *prior* loan they had in there. I think the total came up to about seventy-five million dollars at that point.

Was there another extensive financial investigation of Glick then, and had he formed the Argent Corporation at that time?

Well, it was for this purchase to take Recrion out of the picture that he formed Argent. The name "Argent" was an acronym for A. R. Glick Enterprises. Argent was the Glick vehicle to take over Recrion, and it incorporated the Hacienda ultimately. Later he built the Marina on the Strip, which was right across the street from the Tropicana. It was on the Strip at the corner of Las Vegas Boulevard and Tropicana Avenue.

Where MGM is now?

Exactly. The Marina Hotel ultimately came into the possession of Tom Wiesner, who is currently a regent for the University of Nevada. Tom was a businessman in Las Vegas—still is—and he'd served as a county commissioner, and I think he also served a term in the legislature. Tom ultimately came into control of the Marina, and he then sold it to Kirk Kerkorian. Kirk added to the property the old Tropicana golf course, and all of that has now become what we now see as the MGM Grand.

Going back to Glick, he had the Tropicana, the Fremont, the Hacienda, and the Marina in Las Vegas. So all of a sudden he's got quite an empire, and it all started out with this gift from Saratoga Land Development. But also, I think it was partly because the Teamsters were involved. About a year after this Recrion purchase, Al Baron was indicted for taking loan kickbacks, not specifically on the Recrion purchase, but in his capacity as the asset manager for the pension fund. I don't recall if Al was convicted of that, but there were a lot of people hanging around the pension fund in those days that were not the kind of people you'd really like involved in gaming in Nevada.

I've read some things in the past about the concern of the federal government that the pension fund, by investing in Nevada, was putting at risk the retirement funds of all its members. But I think the

history of their investments in Nevada would show that all of their investments turned out to be good, and they didn't lose money in Nevada. So it wasn't a problem for the members that their pension fund was invested in Nevada; it was really the involvement in Nevada of some of the people who were hanging around the Teamsters' pension fund. [laughter]

Well, Glick and Argent Corporation eventually borrowed a total of \$162,000,000 from the Teamsters, and in 1976, Morris Shenker borrowed \$40,000,000. And over the years, several more million dollars were loaned to casinos by the teamsters. Why did the casinos borrow money from the Teamsters rather than borrowing from other lending institutions?

The history of the loans from the pension fund go back to a time prior to the advent of publicly-traded companies in Nevada. The local banks—primarily the First National Bank and then later Valley Bank in Las Vegas—really didn't have the capacity to make the size loans that were sometimes required. That was number one. Number two, the Gaming Commission had for many, many years a regulation—again, this is before public companies—that put a limit on the number of individual investors who could come in to a property. That number was fifty: no more than fifty individuals could invest in a hotel-casino unless they called them partners. This made it very difficult to raise the kind of money that starting out required. As the business started to evolve and these hotel-casinos became bigger and more grand, they also became more expensive, and there just wasn't a source, at that point, for that kind of money. So it was only the Teamsters and a couple of others that were involved. The Carpenters' fund was one that comes to mind, but there were other pension funds that became involved in the financing of Nevada casinos. Again, I reiterate, my view is not that the casinos represented a threat to these various pension funds, but in the case of the Teamsters' pension fund, it was the Teamsters and the people affiliated with the Teamsters' pension fund who represented a threat to Nevada. I think there's a dichotomy there: I think, one, my view is a state view, and the view that Nevada casinos were a threat to the pension fund was a federal view. And obviously, the federal people and the state people have very seldom agreed on the gaming industry in Nevada. [laughter]

When did the practice of borrowing from the Teamsters start to change?

It primarily started to change when public companies were permitted, because that opened up a whole different door. But again, to get financed through a public issuance approval by the SEC, and even more approvals by the various stock exchanges, was a difficult proposition. Sometimes it was just easier to go to the Teamsters' pension fund, especially if the individuals applying knew people within the pension fund. And as I said, with Glick, his entrée to the pension fund was through Delbert Coleman and Al Baron, who were well connected within the fund. And, as you mentioned, Morris Shenker had been a personal attorney for James Hoffa for years, so obviously, Morris had good connections within the hierarchy of the Teamsters union and their pension fund. So again, it was people who knew the pension fund and the power structure that would approve those loans. Anyway, that's how Glick got his money; it was through the pension fund.

In time, Valley Bank, under Parry Thomas, became the primary banking source within the state of Nevada. Parry did that by putting together groups of banks, and Valley Bank would become, in essence, the lead bank, but it would put together three, four, five other banks to put together a pool of money to finance the casino business. Parry Thomas enabled great, great growth to take place in Las Vegas through

that mechanism. Parry Thomas was enormously influential. Everybody thinks of casino people as being powerful. I think Parry Thomas may have been the most powerful man in the state for a long time.

In 1975 Frank “Lefty” Rosenthal was named one of the Stardust’s top executives. Would you give us Rosenthal’s background?

When we first became aware of him, his history was that of an oddsmaker, a bookmaker, and he was doing a lot of it as a street bookie, or as we called them, hip-pocket bookies. He was doing it on an individual basis for his own account in Las Vegas, and he was quite well known. Lefty, as I came to know him, was one of the premier oddsmakers for football, and he was awfully, awfully good at doing that. Jerry Zarowitz, who was working at Caesars Palace, was probably the best in the business for baseball oddsmaking, but certainly Lefty was one of the better ones in football. There were several others around town working for some of the smaller books that weren’t as good. Lefty was known as a bookmaker-oddsmaker primarily, but he also was one of these guys who knew gamblers from all around the country. We didn’t know it in the beginning, but he had a very spotted history. He’d been accused of bribing a basketball player from New York University to throw a game, and he was convicted in absentia in Monaco of a theft.

When we first saw him there at the Stardust, he had just shown up and he’s got a very important position. The Gaming Control Board challenged his work permit, and the issue went to court, and the state lost it. We had pulled his work permit, and the court said we couldn’t. For the kind of job he was holding, we didn’t have enough history to empower us to keep him from his work card. So he continued to work, and we continued to complain about it. Then we talked to the people at Argent about it [laughter]. And ultimately, they told us that his new position was outside the scope of gaming; that he was now going to be the director of entertainment. But the funny thing about it is, every time I went into the Stardust, I’d see him in the pit [laughter]. So we continued to complain, and at the same time we were complaining, I was taking it upon myself to try to know this man a little better—who he was and what he was about. And ultimately, as I said, I became very much aware of his expertise in bookmaking. And an awful lot of what I learned from him about bookmaking as it was operated in Las Vegas in those days, formed the basis for my determination to bring the various small books into the bigger casinos so that they were operated by the casinos with a greater risk to them should they do something wrong, than the way they were out on the little, small hole-in-the-wall operations along the street.

So at this time no major casinos had sportsbooks in them?

No. The one that came closest, if you remember, was Harrah’s at Lake Tahoe. And Harrah’s ran it in a separate building [laughter] on the west edge of its hotel-casino, a small, little race and sportsbook. It was not connected to the Harrah’s hotel-casino; it was a separate building, and it was right on the state line. [laughter] That was the closest any of them came to being connected to a casino.

But again, through me, all of us were learning about the bookmaking business. It had in the past, and it had the potential in the future, to bring a real disgrace to the state, the way it was being operated. So we determined we would bring it inside, where if they fooled with the bookmaking or the oddsmaking, they would be putting more than a little hole-in-the-wall operation at risk; the whole casino license would be at risk. And that’s ultimately how it happened, I think for the better—ultimately for the whole industry—because that became in itself an enormous profit maker; it became a feature in every big hotel-casino,

and it was a marketing advantage to have a big horse and racebook.

Did Frank Rosenthal's actions lead to major casinos being licensed for sportsbooks?

Yes; in my mind, they did, because the information he gave to me encouraged me to try to convince my colleagues on the Board, and ultimately the Commission, to get this business into the casinos.

In 1975, the Gaming Board demanded that Rosenthal be licensed as a key employee. What was the result of the investigation into Rosenthal's background?

Well, of great concern were not only his associates, but as I said earlier, we found out that he had been accused of bribing a New York University ballplayer, and we had found that he was convicted in absentia in Europe for a theft. And he was associated with Tony Spilotro, who was a well-known street hoodlum in Las Vegas, long alleged to be a member of organized crime. Ultimately, Tony and one of his brothers were beaten to death and buried in a corn field in Indiana. But just to take a side bar for a moment, the Control Board had come across Tony Spilotro at the time that Bill Bennett and Bill Pennington purchased Circus Circus from Jay Sarno. We found that the gift shop at Circus Circus was being leased to Spilotro, and if my memory serves me right, he was using a different name, but ultimately that phony name was Tony Spilotro. As this change of ownership was taking place, we said to Pennington and Bennett—and Herb Jones was their attorney, if I remember—“We’re not going to approve this purchase agreement, unless you get this Tony Spilotro out of here. You got to get him out of here.” Well, in effect, we gave Tony Spilotro a present, because he could then leverage them to get a better price for the sale of his lease. We didn’t want him in there. And, of course, they screamed and screamed about that, but we insisted, and so they had to purchase his interest. So Spilotro was out of Circus Circus when Pennington and Bennett acquired it. But again, he was a street hoodlum, and he was in the business of lending money for atrocious interest rates, and everybody was pretty sure he was involved with some large robberies and thefts that took place in Las Vegas. His history in Las Vegas is quite well documented, but he was a bad guy. There was no question he was a bad guy. And Rosenthal knew him quite well.

Was Rosenthal denied a key-employee license?

When we finally got him up there for licensing as a key employee, we did get him denied.

Did he appeal that decision?

Yes, he did appeal it, and that appeal went to state district court—Judge Joe Pavlikowski. And Joe Pavlikowski issued, in my mind, a spurious opinion, which said in effect that we *had* to license him.

Who was Rosenthal's attorney?

[Oscar] Goodman was his attorney.

The same Oscar Goodman that's currently the mayor of Las Vegas?

Yes, indeed, the same Oscar Goodman.

Did he defend or represent a lot of applicants during your tenure?

Yes, but Oscar always was on the wrong side. It seemed that the bad guys would always go to Oscar for representation. And he did not have much luck with the Gaming Control Board or the Gaming Commission in terms of getting people licensed.

So when Mr. Rosenthal was denied a key-employee license, he appealed to the district court?

Yes, the state district court. And, as I said, the state district court under Pavlokowski said we had to license him. Well, we at the state level then appealed Pavlokowski's ruling to the state supreme court, and Pavlokowski was overturned. Rosenthal then appealed the Nevada state supreme court decision to the federal supreme court, and they would not hear him. They refused to hear his argument.

Was it later discovered that there was a possible conflict of interest in Judge Pavlokowski's ruling?

Well, it turned out that Rosenthal had paid, in whole or in part, for a rather large reception for Pavlokowski's daughter's wedding, so there was an obvious conflict of interest going on. Most importantly, his decision, which I think was not well thought out at all, was overturned.

About a year later, in 1976, the audit division, headed by Dennis Gomes, discovered evidence of skimming in the slot count room. Was Rosenthal still working for the Argent Corporation as an entertainment director at that time?

No, he wasn't working there then, but we always believed that he had set it up. It was a large-scale skim from the slot machine winnings, and it was extraordinarily clever. There was a man running the slot operation at the time by the name of George Vandermark, and if I recall correctly, Vandermark had been brought into Argent by Rosenthal. Vandermark had a history as a slot thief, and apparently a good one. But, at any rate, this is what they did in the count room. The slot count room is a very secure room, and people go into it wearing a pair of coveralls with no pockets—no way to smuggle things in or out of the room—and in that room there are big scales to weigh the coin. The coin was not counted coin by coin, but it was weighed on scales. And what they did was to tinker with the calibration of the scales so that it underreported the amount of money being weighed. For example, if you weighed out ten thousand dollars in silver dollars, there might actually be twelve thousand dollars. Well, now you have money that's unaccounted for, that's over and above what your accounting records will detail. The problem then becomes how do you get that money—which is coin, and bulky and heavy—out of that coin room? Well, if you tried to put it in your boot, you couldn't walk. There's just no way to get it out of there undetected.

Well, this was where it got very clever. Out on the casino floor in sight of everyone was a large locked cabinet, and the cabinet was divided into two parts. In the one part, if you opened it up—it was locked—you would see all kinds of coin wrapped and rolled. Quarters, dollars, nickels, dimes. And this is

where the slot attendants would go when they needed more coins. Those who have been in a casino will remember seeing a slot attendant walking around the casino with an apron full of coin, or sometimes in more recent years with little carts filled with wrapped coin. Customers who have a hundred-dollar bill and want to buy three or four rolls of quarters go to these attendants, hand them the hundred-dollar bill and get back coins. When the attendants ran out of coin, they go to this cabinet, take the currency, which had now accumulated in their apron and for which they were accountable—because the amount of coin they started out with was known, and at the end of the day the amount of currency that they had or the receipts for currency had to balance the amount of coin that they had. The attendant would put the currency into a small drop, like a letter drop, on the one side of this cabinet—independently locked—from the coin side. Having deposited the currency, the attendant would open the coin side and take an equal amount of coin out and go about her business.

Well, what was going on, then, was that that coin in the coin side, keep in mind, was now two thousand dollars more than what the accounting record showed. And so ultimately, over on the currency side, there would be two thousand dollars more in currency than the accountants would expect to be in there. And along would come Mr. Vandermark, or one of his minions, open the currency side, take out the currency, deduct the two thousand dollars overage from the scales, and go blithely about their way now with something that could be easily hidden and easily transported. In our judgment, we believe this scheme went on for well over a year, and very significant amounts of money were stolen from the slot operation at the Stardust by that means.

And it could have been even more widespread than the Stardust. My memory is we only really got it nailed down at the Stardust, but if I remember correctly, they were transporting coin from other Glick operations, the Marina and the Hacienda, up to the Stardust to count. I don't think they were doing this at the Fremont, but they were doing it from the others. So it may have been even more widespread than the amounts we knew about at the Stardust.

Was there something that drew attention to this, or did it just come up in a routine audit?

Well, again, everything that was going on at the Stardust had all of us at the Gaming Control Board—I use the term “paranoid,” but with the definition that I’ve always kind of humorously looked at: if a person says you’re paranoid and they are right, then you are sick; but if they are wrong, then you are perceptive. And so [laughter] we were paranoid about the Stardust and the operations there, so we spent a lot of time there, and we had undercover people watching the slot play and watching the operation. We did not originally know of this cabinet and how it was functioning. But there was a minor event that took place on the slot floor that alerted us. It was an act of collusion between an off-duty change attendant, where there was a jackpot claimed that had not truly been hit that got us into looking at the operation in the count room. On a couple of surprise audits we popped in there and calibrated the scale, and the scale was off both times. So we knew there was something really goofy going on in that operation, and that’s when we finally really put the pressure on and it kind of fell together.

Did they have a slot drop every day?

Oh, yes.

So they were taking out x-amount of dollars at least once a day every day.

Yes.

Was it ever determined where the money was actually going?

No. Interestingly enough, Vandermark, who was a key player in this, when it became obvious that we knew what was going on, he left. We finally tracked him into Mexico, and then Vandermark died in Mexico. He had been murdered in Mexico. So that was the end of that trail.

Well, that just makes you wonder even more, doesn't it?

Oh, absolutely. [laughter] They were afraid he would name somebody.

To go forward, after I left the Board, probably around 1979, Lefty Rosenthal came out of a restaurant in Las Vegas and opened his car door and the car blew up. He was probably quite fortunate that he hadn't actually entered the car when it exploded, because he wasn't killed or seriously hurt.

Was the Stardust still owned by Glick when the skimming operation was discovered?

Yes.

Was it ever proven that Glick was actually connected to the skimming operation?

No, it wasn't. And, of course, he claimed that he was a victim, not a participant.

Was Glick allowed to keep his gaming license?

Mr. Glick, in 1979, was called in front of the Gaming Control Board for revocation of his license. I had left the Board, and Roger Trounday was the chairman. They didn't want to close Glick's properties and put a lot of people out of work, so the revocation was delayed for a while, giving Glick a chance to sell the properties and get out. However, there was a seven-hundred-thousand-dollar fine levied against Glick's operation, Argent Corporation, by the Gaming Commission, and it was the largest fine up to that time, that had ever been imposed. Ultimately, Mr. Glick lost his gaming license. Later the federal government brought some actions, and Mr. Glick became a very important witness for the government and set forth a story wherein he had been the victim of essentially an extortion, where his wife and children were threatened by some very, very bad people, unless he allowed Mr. Rosenthal pretty much free rein to run the companies. So that was the end of the Glick era in Nevada, a very distasteful period of time as far as the state was concerned.

By 1979, as we said, you had left the Gaming Control Board. However, Frank Rosenthal was still with the Argent Corporation, and he again was ordered to be licensed as a key employee. I realize you had left the board, but do you recall if he was eventually licensed or if he was forced out of the gaming industry?

Rosenthal was ultimately forced out of gaming and was entered into the "Black Book" in 1988. I don't know how many different attorneys he had. Oscar Goodman, the now mayor of Las Vegas,

represented him for some period of time. Oscar represented a lot of tough clients in the sense of people who had poor reputations, and that's how Oscar made his reputation, defending clients who had a bad reputation [laughter].

Do you know what Rosenthal is doing now?

I have no idea. If I were going to guess, I'd guess that he's somewhere in Florida. He always liked it in Florida, or seemed to. There was a book written about him and that was later made into a movie. I didn't read the book nor see the movie, so I can't comment on it.⁶

To go back in years a little bit, in late 1971, a group of investors from the Midwest purchased the Aladdin from the Recrion Corporation. Who were some of the members of that group?

Well, in that group from the Midwest there were the Goldfarbs, Chuckie Goldfarb, Irwin Goldfarb, and a man named George George. The Nevada people were Sam Diamond, who had been previously licensed by the state, and Don Aiken, who actually had worked for the Gaming Control Board at one point. Don was an accountant. And then there were Richard Daley and Peter Webbe. Webbe was a bit of a political personage in Kansas City, I believe. And ultimately, during the investigation we came up with information that they were connected to some, essentially, criminal organizations or criminal associations in their home areas. A number of them were denied licensing. And when they were denied licensing, then there was a problem of there not being enough money to go forward on the purchase. At that point, Sam Diamond came forth and put up more money to buy out the interest of several of the denied applicants. One of those was George George, and that later became a problem. But, at any rate, there were a number of people denied, and a number of people approved, Diamond being one of the people approved, as was Don Aiken. So they acquired the Aladdin and operated it for several years. Then in 1975, the Board received an application requesting permission for Diamond to receive an OK to sell some of his Aladdin shares to Mae Ellen George, who was, at that point, the widow of George George, who had been denied. The Gaming Control Board did not approve that sale, because, well, first of all, she was George George's widow, and even though he was dead, the Board was not comfortable with the fact that his widow now is going to come back and take the position that he had been denied. And also, Mae Ellen George was related to a fellow by the name of James "Jim" Tamer, and he was not considered to have a background that the state would like, in terms of a licensee.

Mae Ellen George was later approved by the Gaming Commission, and it was a very heated debate that led up to that approval. But at any rate, she was licensed. Then at a later date, I think 1979, the state closed the Aladdin Hotel, because they had reason to believe that unsuitable interests were involved. The whole issue of Mae Ellen George and James Tamer did not really reflect well on the state allowing her to be licensed, especially since her relationship with Tamer was well known at the time of her licensing. But it should be noted that James Tamer had people in Nevada who were willing to sing his praises, and a couple of prominent ones were Jackie Gaughan, who was a very, very prominent casino owner in Las Vegas, and Carl Cohen, who had been an investor, a licensee, and a gaming operator on the Las Vegas Strip for many, many years. Carl Cohen also had gained my undying admiration because he

⁶Casino by Nicholas Peleggi.

once punched out Frank Sinatra. [laughter] So, at any rate, Tamer did get himself, and so to speak, the camel's nose into the tent there at the Aladdin and that ultimately forced the state to close the Aladdin.

In 1974, in November, Morris Shenker, who was the sole owner of the IJK Corporation, applied for licensing of the Dunes Hotel and Casino. Would you give us a little background on Mr. Shenker?

Morris Shenker was an attorney, primarily in St. Louis, Missouri, for years. As an attorney, he was quite prominent, not only locally, but also nationally, and he was well known for being Jimmy Hoffa's attorney. But that was, I think, exaggerated to some degree by the press. Jimmy Hoffa had a number of different attorneys, but Shenker was certainly one of them. Shenker was an immigrant to the United States. He was a Russian Jew. He told me he had left Russia in the wintertime when he was a very young boy, and he did that because the rivers were frozen and he could walk across the ice, and that's how he got out of Russia. There are people who would remember that prior to World War II, there were many, many pogroms that took place in Russia wherein the Jews were killed and otherwise abused. At any rate, he had left Russia. He came to the United States not speaking a word of English. He was self-taught in the language, and he did odd jobs and hustled with whatever he could do to earn a living. Ultimately, he put himself through law school, getting out of law school in the Depression when no one had money for an attorney. He would go down to the criminal courts and defend indigent parties for no fee, but he gained a great deal of expertise in criminal law, and ultimately he began to win to such a degree that he was noticeable and picked up very good criminal clients. So his basic background was criminal law.

He became a political powerhouse within St. Louis and within the state of Missouri and had very strong connections to Senator Long from state of Missouri. Morris was very, very closely connected to him and a strong political backer. Long was also indebted to the Teamsters for much of his political support. And when Long had come to public criticism and public awareness, to a large degree because he tried to keep Jimmy Hoffa from going to jail and to get Hoffa out of jail early, he was closely identified with Hoffa. And in turn, Shenker was closely identified with both Long and Hoffa.

Did Shenker's association with Long and Hoffa create problems when he was applying for a license?

Yes, but it was even more than Hoffa. *Life* magazine described Morris Shenker as being involved in a Byzantine maze of businesses, and that certainly was the truth. It was extraordinarily difficult to track Morris Shenker. It was difficult to track all of his activities and all of the allegations and the suspicions and the rumors that swirled about him, many of which were just ill founded. But each one of them had to be run down. And the investigation was long and arduous.

How many agents did you put on the case?

I think nine or ten agents were assigned to look at his activities, and mostly, again, that was because there were so many different stories to chase down and so many different business entities that he had been involved with, and was involved with, and had owned or been associated with over the years. It was just a very, very complex and complicated investigation. I can remember on one occasion I got a call from a couple of the agents who were in Shenker's office in St. Louis. In the office there was a very large steel safe, and when the agents asked Mr. Shenker to open the safe so they could examine the contents he

refused. So the agents called me, and I asked them to put Shenker on the phone. When Shenker came on the phone he explained that the material in the safe was really the property of a client and that there was an attorney-client privilege, and he would not open the safe. I suggested to him that he had to choose between being an attorney and representing that client or being a licensee in the state of Nevada, and then he'd know the result of that decision by whether or not he opened the safe. Well, he asked for a day to consider the issue and to talk to the client, and then the agents left the office after placing a seal on the safe. The next day Mr. Shenker opened the safe for them, and inside the safe was only one file, and it had nothing to do with Hoffa or anybody else that we were interested in. [laughter]

A very innocuous file?

Yes. And that was just one story I recall of that investigation, and it wasn't particularly significant, other than the fact that I think we did gain his attention and it did establish that he had to be very forthcoming in all of his personal documents, or he wasn't going to get licensed.

I think what amazed me most about Shenker was the fact that when we held a series of licensing hearings on him—Grant Sawyer was his Nevada counsel—the man came before us and presented a case as if he were presenting a case in a criminal court. And for every issue that we brought up, he brought witnesses forward to give a totally different picture of the event. One of the witnesses on his behalf had been a primary prosecutor in the Watergate events. So they were not hit-and-miss witnesses. One was a very prominent Catholic priest [laughter]. So it was just an amazing collection of people he brought forward to explain things that we thought were significantly wrong. Those hearings with him and his witnesses and his attorneys and our staff lasted for as long as twelve hours, and they were *exhausting* kinds of inquiries. But I have to tell you that he knocked just about every pitch out of the park.

I don't think he was a good businessman, and later events at the Dunes, I think, would bear that out, but he was a very interesting man. And I think the state didn't know what the heck to think about whether he should be licensed or shouldn't be licensed. I think there was a real division within the power structure of the state: on the one hand, there were people who thought that merely his presence would indicate that there was something wrong with gaming in the state of Nevada; and there were others who strongly believed that this man, like every man, had the right to confront allegations and suspicions and rumors and clear them up, if possible. And he did a good job of that.

With Grant Sawyer's help.

Yes. And Grant was a good gaming attorney. He understood the law; he knew the law. He was a good attorney, but Grant never ever asked for political favors, to my knowledge. And I'm sure that that's the case. I'm sure he never asked Mike O'Callaghan for political favors in any of these events. He just took the case and went forward. He was always ably assisted by a young man that I went to college with, Bob Faiss. But Grant Sawyer had been Bob's mentor, and together they were very, very effective counsel.

So Bob Faiss was his assistant in several instances?

Oh, yes. Bob became a very, very strong gaming attorney. Very knowledgeable, and he was a good lobbyist for the gaming industry.

On the other hand, Sam Lionel, the other partner in Lionel Sawyer Collins, was equally strong as

an attorney. He didn't represent too many gaming clients on gaming applications; he represented them in other aspects of their business. And he was also extraordinarily competent. That was a very, very good firm, and I think it still is. [laughter]

So the Gaming Control Board took approximately four months to make a decision on Shenker because of so many various investigations?

Well, we'd track something down, and then Shenker would come up with a response and an answer that just made anything we found turn to dust, so we'd have to go back and do it again. It just took a long time to track down all of these rumors and allegations and to go through all his businesses. There were literally boxes upon boxes upon boxes of legal documents and business documents that had to be read and analyzed, and it was very, very, very, very complicated and complex.

Did the Gaming Control Board eventually recommend Mr. Shenker for a license?

Yes.

And the Commission agreed?

Yes.

Do you recall how many years that he owned or controlled the Dunes Hotel? Did he eventually sell it out to someone?

Morris sold it, but he was there and running the hotel into the mid-1980s. It was always struggling. It never really was a strong hotel-casino. It was old, it was worn out, and the financing was not real good in terms of being favorably structured. It was always a struggle for him, but he kept at it and kept at it. I can't quite recall whether or not he sold it before he died, or died and then the family or the state sold it.

But he did operate it for several years.

Oh, yes, during the period of time that I was working for Hughes, he was still running the business.

Did he still maintain all those other businesses that he previously had?

No, but I think he kept some of them. Most of them were not huge businesses. They were mostly little businesses. He kept his finger in different things around the country: a couple of real estate developments here and there, but he was focused on the Dunes and spent nearly all of his time there.

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In March of 1975, a hearing was held to determine if Bally Manufacturing Company should be licensed

to take control of Nevada's largest slot machine distributor, Bally's Distributing Company. Did the Gaming Board have any problem with that application?

Yes. Bally Manufacturing was a spin-off of, I think, a company called Lyon Manufacturing. They had been making pinballs in Chicago for years and years and years and had been a distributor of the early slot machines in jurisdictions like Louisiana, before they were all confiscated by the government and broken up. So they had a long history in the coin game business. Out here, Bally Distributing, to give it some perspective, was the largest slot manufacturer at the time this application was made, and nearly every casino in Nevada was filled with Bally slot machines. There really wasn't any major competition at that time, so this was an extraordinarily important application. It wasn't one that we really wanted, because we didn't want to directly get into Bally Manufacturing. I think our perceptions were we were going to find something that was very bad and we were going to get rid of it, and now where would your state get slot machines? That was basically the question. [laughter]

Was Si Redd with Bally Distributing then?

Si Redd was with Bally Distributing, and he also owned stock, and had been promised more stock, in Bally Manufacturing. Si was an absolute genius at selling slot machines. For example, the dollar slot machine was really Si Redd's creation. In the early days it was nickels and dimes, quarters, and even penny slot machines, and once in a while you'd see a half-dollar slot machine, but nobody ran dollar slot machines. They were just considered too large a bet. But Si Redd was instrumental in convincing the owner of a small casino, which basically had only slot machines in it, to devote about half of them to the dollar denomination. And he put in very loud what they called "drop pans," where the coins would drop when a winner was hit. Si put very loud drop pans in those dollar slot machines, and the *racket* that they created—the noise level was unbelievable. And the little casino just flourished.

Was that in Reno or in Las Vegas?

That was in Las Vegas. And pretty soon others in the gaming business started to pay attention to this phenomenon, and they spread like wildfire. And Bally's was, again, the only one that really had a handle on this through Si Redd.

Was he also the innovator of the dollar-machine carousel?

I think that was another one of Si Redd's ideas. I can't fully attest to that, but that's my belief, the configuration of putting a series of slot machines in a circular or rectangular pattern with change personnel standing in the middle of the machines to service the various customers. I believe that was Si's concept and idea. And that also was extraordinarily lucrative.

Warren Nelson and Si were good friends, and they'd been friends for a long time, so Warren used a lot of the ideas that Si came up with. Si would come up with these ideas, and Warren would put them into practice at the Club Cal-Neva.

Did Warren put a lot of dollar slots in the Cal-Neva?

Yes, it was heavy with dollar slots and with noise. The idea was to make sure that everybody understands there are *winners* here. [laughter] And that really worked.

At any rate, this application was coming through, and we knew Si Redd quite well. We knew the product, the slot machines themselves. We were constantly testing those slot machines to make sure they were living up to the standards set by the state, but we didn't really know that much about the company that manufactured them, and we didn't have to at that point. All we had to do was be sure that whoever was distributing these slot machines was licensed. We didn't have to really be too concerned about who made them.

And Si Redd, of course, was already licensed as a distributor.

Yes. So now, we have the manufacturing company who, because the distributing company is making so much money—and they're the *reason* it's making so much money—they want to get a piece of the action. So they come forward, and their president at the time is a man named Bill O'Donnell, and O'Donnell had worked for the predecessor company as a salesman for many, many years. He'd been with this coin machine company for probably in excess of twenty years.

Who were some of the other major stockholders?

Oh, there were a number of people involved. There was Sam Klein, who owned about ten or fifteen percent of the company, and Irving Kaye. And there was always a feeling that there was a man with a hidden interest in it by the name of Gerardo Catena. Gerardo Catena had been identified in the old senate hearings as a mafia person. So there was always the worry that Gerardo Catena had a hidden interest in this thing. And then there was a man working for the company when we started the investigation, who resigned and left the company, I believe, before they were licensed. His name was Dino Cellini. Dino Cellini had a history of being an employee of Meyer Lansky. Then there was a man from Belgium by the name of Alex Wilms, and Wilms owned maybe ten percent of the company. He became a problem to us during the course of the investigation. So we basically had O'Donnell, Klein, Irving Kaye, and Alex Wilms who held the majority of the stock. And in the background of this you had concerns over Gerardo Catena and Dino Cellini, which cast a pall of mafia intrusion into the company. And the history of the company was also one that lent itself to that kind of worry, because they had been making slot machines and providing them to different locales around the country, when in many of those locations they were illegal. So it became a situation that required a very strong investigation and a real serious look at who were going to be the licensees and the owners of this operation.

During the hearings there were a good many Nevada people who came forward to testify on their behalf: Warren Nelson, and Bob Cashell, who later became lieutenant governor, and at that time was a licensee in Reno. And, again, they were represented by Grant Sawyer on some of the issues, and by Don Carano, an attorney in Reno, who later became a major gaming licensee on other issues.

So at any rate, this was, again, a very expensive investigation, trying to go through all of old records of who had previously purchased gaming equipment from the company: where was it shipped, who was the operator at the location where it was used, and always trying to tie those kinds of ownership and operation back to the company to see if there was a criminal involvement. Ultimately, the Control Board recommended licensing of the company, but with a lot of restrictions and contingencies.

What were some of those contingencies?

Some of them were that [Bill] O'Donnell, who was the president, [Sam] Klein, Irving Kaye, and Alex Wilms were to give up their executive positions with the company where they drew a salary. They were to give those positions up, and the Gaming Control Board recommended that they have all of their shares put in a trust. So that was the recommendation. It was very complex recommendation that went up to the Gaming Commission. And the Gaming Commission, I can't remember what they did with all of it, but there was [laughter] a very *heated* debate within the Gaming Commission as to how to handle this application. The chairman, Pete Echeverria, did not like the idea of the trust. Frank Schreck, who is now a very, very prominent gaming attorney, liked the idea of keeping the trust in place. There was also a recommendation that a former U.S. attorney be employed by the company to assure that they were always in compliance with federal and state law. I can't quite remember exactly how the commission voted on everything, but [Sam] Klein was OK'd on a probationary basis, and later on he was seen playing golf with Gerardo Catena and forced to sell his shares and was also fined. [Bill] O'Donnell did not stay in the company very long after the licensing, and Alex Wilms transferred his interest to his son and pretty much got out of the company. The son ran a slot machine company in Europe, which was quite successful, essentially using Bally products. The son later came back to Nevada and had a slot route business in Nevada.

Did Si Redd have anything to do with operating the company after Bally Manufacturing was licensed?

Si Redd stayed with the company for a period of time after that—I can't remember how long—but he felt that they had broken their word to him in terms of some ownership interests that they had promised him, but did not go forward with. So a bit of bitterness developed between Si Redd and Bally. And it wasn't too long after that, maybe a year or two—I can't remember now the time period—but Si left Bally and formed his own company, which ultimately became IGT.

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During your tenure as chairman, you made many decisions that were unpopular with some unsavory persons. Were you or your family ever threatened with any physical harm?

No, not that I recall, and I probably would have been sensitive to it. There were some tough people involved, but by and large, I never felt that my family was vulnerable to them nor threatened by them, and I never felt really threatened by any of them either.

* * * * *

How did you approach the position of chairman of the Gaming Control Board?

Well, first of all, I had had some experience in the gaming business, having worked at it while I was going to college, and I knew a lot of the people who were involved in the business. I had been involved in public administration for a number of years, and I'd been the chief parole and probation officer for the state of Nevada. I'd been the director of welfare for the state of Nevada, and I had been the

first director of narcotics and dangerous drugs for the state of Nevada. So I had an extensive background, and early on I learned that when you have to make an unpopular decision, you don't try to sugarcoat it, nor do you try to deceive the people that you're making the decision about; you just tell them what your position is and why you *have* a position and go forward, and in a sense just try to be honest with them, not necessarily being compassionate always, but at least being honest.

So when I approached the job, I approached it on the basis that it was a job that required some tough decisions, and decisions you could not leave in an abyss or in a vacuum. You had to make a decision, and it couldn't be "maybe" or "we'll see later." You had to analyze the material given to you and have reasons in your mind that you could rely on, so you could tell people what those reasons were, and then live with them. There were times, obviously—I think there always are—when you sometimes take a tough position and you feel a little bad about it, because you know you're having a strong effect upon somebody's else's life. And maybe you would like *not* to have to do it that way, but you do it, because that's what's required by the nature of the job or the business.

My first concern was always the state of Nevada. This business is the economic underpinning of the whole state, and everything that goes on in Nevada is so tied to the economy of the gaming business. And the gaming business could be threatened and taken away from us if we didn't handle it very, very well. And that meant in many cases stringently. There was always the concern, at least in my mind, that the federal government could step in and do something that would seriously harm the gaming business, and in turn that would create great harm to the state. So that's essentially what was going on in my mind as I took this job.

But the job was not only to work with the people in the business; the job was also to work with the staff. And working with that staff became a very important objective. I encouraged them to improve their position in the state in terms of pay and reputation, to make sure that the efforts that they expended were meaningful efforts, and also to work with people in the legislature so that you have the right kind of support. So it's a complex job, and also, I think, a big part of it is working with the Gaming Commission. I was fortunate, I believe, in working with some truly outstanding people who were on that commission and fortunate to be able to communicate well with them, and to have a give and take. I think that's what really worked for us as we were able to listen to each other's viewpoints. And while not always in full agreement, we were able to move forward on the basis of what we all believed to be the right thing to do, not only for the state, but for the people involved who came in front of us.

So you feel one of the key requirements of a board chairman is to maintain a good relationship between the Control Board and the Commission?

Oh, yes, I think if you have any divisive relationship there, it's going to work to the detriment of both institutions and to the state at large. I think those two groups have to be in concert.

We touched briefly on one of the reasons for you leaving the position of chairman of the Board in July of 1977, and that was a problem that you had with the Gaming Commission.

Yes.

And Harry Reid was chairman at that time?

That's right. And I did not feel comfortable for a couple of reasons. We had a couple of experiences there that made me uncomfortable with that commission, and I felt that it was best that I leave.

Differences as far as recommendations that the Board had made for certain applicants and that the Commission didn't agree with?

Exactly. But more than simply that we disagreed; it was the nature of the disagreement and the basis upon which, at least, the Commission framed their disagreement. I just got to the point where I felt that it was my presence more than anything else that was causing the problem. I don't think it was visible at that point, but I felt there was a division between the Board and the Commission, and I felt it was my presence, primarily, that was the cause of it. And that whole situation stressed me out. I was not feeling well. I had ulcers, and so I decided it was best to leave.

Were there any specific applicants you were concerned with?

There's no point in going back and digging that up on various people at this point in time.

When you retired, did Governor O'Callaghan consult you as to who should be named to fill your vacancy?

Sure. We talked about it. In prior years I had been instrumental in advising O'Callaghan to bring Roger Trounaday into state government from the public school system in the Reno area. Roger and I had known each other since grammar school. I suggested to O'Callaghan that Roger had all the attributes that I felt would be good for the Gaming Control Board. He had a good reputation, and he was a very intelligent person who was willing to explore things. He would keep an open mind on things. So I thought he would do a good job, and I think he did do a good job.

O'Callaghan [laughter] tried to talk me out of leaving, but, of course, that didn't work. I had a job with a bank, but I had a lot of vacation time coming and so forth, so I told the people at the bank that I wanted to wait three or four weeks before starting something else. During that period of time, I was approached by a trust officer for, at that time, the First National Bank of Nevada, who was representing Will Lummis, the first cousin and administrator of the Howard Hughes estate. And through him Lummis offered me a job with the Hughes interests, and ultimately, I accepted that job. After it became public, O'Callaghan tried to get Lummis to *not* hire me on the basis that it would not look good to the public to have me going in with a gaming group. I didn't know that Mike had made those efforts for several years afterwards. But it was inconsequential to me. Lummis didn't change his mind, and ultimately, it didn't bother me, but it bothered me when I found out about it—even more so, when a year or so after I left there was some discussion in legislature about people leaving government jobs and going to work for the industries that they, quote, “regulated.” And there were comments made by different people that I thought were somewhat foolish. And I still think they're foolish. While the perception may not be good, the reality is if you go to work for one of those companies, there's nothing you can bring with you from your experience that's going to hurt someone else in the same business. Now, of course, if you try—and this is the only danger—to feather your nest while you are in the regulatory position so that you could *get* this job later on, clearly that would be a bad thing. That wasn't the case in my circumstance, and I wasn't even

approached by the company until I had left the Board.

How long did you stay with the Howard Hughes organization?

Eight years. In 1985 I left and went with Harrah's. The reason for that was it was clear that the Hughes estate was going to have to dispose of their gaming properties in order to satisfy the various heirs to the Hughes estate. Harrah's had been acquired by Holiday Inn, and those folks made me a very generous offer to become the president of Harrah's West, they called it, because they were operating another property in Atlantic City. I was not responsible for the Atlantic City property, but I was responsible for Reno, Tahoe, and a property they had acquired in Las Vegas. So I went to work for Holiday Inn, or "Harrah's," Harrah's being solely owned by Holiday Inn at the time.

After a couple of years with Harrah's, I left there to go to work with the Kerkorian interests. Kerkorian wanted to buy the Sands and the Desert Inn, which, of course, I was quite familiar with from my time with Hughes. He wanted to put together another large gaming company. I'd known Kerkorian over the years from my experience with the Gaming Board and respected and admired him a great deal. I liked him as well; he was a very nice person. So I went to work for Kerkorian and stayed there about three years, then left to come home to Reno. I got involved with some friends in the Fitzgerald operation—actually had been involved a little bit with them prior to that. But I wanted to be home. My wife had become a serious asthmatic, and I felt it was necessary to be home more than I was able to be in Las Vegas.

When did you go to work for Fitzgerald's?

In 1992.

Are you still associated with Fitzgerald group in any way?

I'm still on their board of directors, but I'm not involved in any day-to-day activities. I just take care of the property and investments. I guess that's the best way to put it.

Well, thank you for your time, Phil.

Yes, you're welcome.

S. BARTON (BART) JACKA



S. Barton (Bart) Jacka, who was born in Beaver, Utah in 1936, moved to the town of Alamo, Nevada as a small child, then to Las Vegas, where he graduated from Las Vegas High School and later attended Nevada Southern (now the University of Nevada Las Vegas). He began his career as a public servant when he joined the Clark County Sheriff's Department (later merged into what is today called the Las Vegas Metropolitan Police Department). After serving more than twenty years as a law enforcement officer, Jacka became the Director of the Department of Motor Vehicles, and then the state Director of Human Resources. In 1984 Governor Bryan appointed Jacka to the Nevada Gaming Control Board. Jacka pursued a successful career in the gaming industry after leaving the Board in 1989, acting as a gaming consultant to several companies and sitting on the board of directors of the Elsinore Corporation.

S. Barton Jacka. Photo courtesy of S. Barton Jacka.

Dwayne Kling: Good afternoon. It's February 25th. My name is Dwayne Kling. I'm with Bart Jacka at his home in Reno, Nevada. Today is February 25, 2002. This is the first in a series of oral history interviews with Mr. Jacka. I would like to ask you, Mr. Jacka, does the Oral History Program of the University of Nevada have your permission to make available to the public the tapes and the transcripts of the oral history interviews that we are about to begin today?

S. Barton Jacka: Yes.

Thank you, Bart. Let's start out by asking you when and where were you born?

I was born in Beaver, Utah, in June of 1936. I'm married and I have five children. Two are my own: a son, Barton Lee Jacka, who's an attorney in San Diego, also licensed to practice in Nevada. I have a daughter, Lee Ann Bakch. She lives with her husband and two children in Las Vegas. I have a stepdaughter, Heidi Sakelarios, who is my present wife's daughter. She and her husband and two children live in Carson [City]. I have a stepson, Brent Hammack, who is the son of my present wife. He lives in Smith Valley and is a sheetrock hanger. He lives with his wife and four children. I have a stepdaughter, Michelle Taylor, who presently lives in Reno but routinely lives in California. She has two children, and she's divorced. She is the daughter of my late wife.

Did you go to elementary school, high school in Beaver, Utah?

No. I moved from Beaver, Utah, when I was a year old. My stepfather had met my mother right after I was born and they got married and moved to Los Angeles. We lived in Los Angeles until about 1945 and my sister, who lives in Las Vegas, had asthma very bad so we had to move out of California. We moved to Nevada—packed our belongings and went to where she got some relief and that relief was obtained in the area of Las Vegas in a little community called Alamo, Nevada, which is about a hundred and thirteen miles north of Las Vegas, just south of Caliente. We decided to settle there and my dad went to work for the water district in Alamo. My parents ultimately moved to Las Vegas where my dad was in the construction business. I stayed in Alamo, where I went from the fifth grade through the eighth grade. After completing grammar school I joined them in Las Vegas, where I went to high school at Las Vegas High School.

What did you do after you graduated from high school?

I worked part-time in an office equipment store called Albright's Business Machines, and then enrolled as a freshman at what was then called the University of Nevada, Southern Regional Division—Nevada Southern—now UNLV. I achieved junior class status and was the student body president my last year at Nevada Southern.

What precipitated you leaving college?

I became a Deputy Sheriff, for the then-Clark County Sheriff's Department in 1957 and full-time employment precluded my active activity in school. I did take a couple classes later on, but never completed my degree.

The Clark County Sheriff's Department is an agency that is no longer in existence. In 1973, by an act of the legislature, the Clark County Sheriff's Department and the Las Vegas Police Department were merged into what is today called the Las Vegas Metropolitan Police Department.

So were you included in that merger?

Yes, I rose through the ranks at the Sheriff's Department from a Deputy Sheriff to a Chief Deputy

Sheriff and I was a representative for the Sheriff at the legislature, lobbied for him and for law enforcement, generally, throughout the state of Nevada. And, when the legislature passed the enabling legislation to approve the consolidation, I became a Deputy Chief of Police under the Las Vegas Metropolitan Police Department for a month. And then I was promoted to Assistant Sheriff, in charge of Line Operations, and I held that position until I retired in 1978.

So you worked for the Sheriff's and/or the Metro for a little over twenty years?

Yes, about twenty-one-and-a-half years.

What did you do when you when you left the Metro?

I was offered an opportunity by then-Governor List to journey to Carson City and I became the director of the Department of Motor Vehicles in 1979, headquartered in Carson [City]. That gave me an opportunity to truly run an agency myself. When I was at Metro the last few years, I was third in command of the largest law enforcement agency in the state. But by moving to DMV, I could set my own policy and it was quite an opportunity.

What was the size of your staff at DMV compared to your staff at Metro?

We had about twelve hundred employees at Metro when I left and, of course, those weren't all under my command. By the time I retired, I was the only Assistant Sheriff. Originally the structure called for two and I ultimately became the only one because the other Assistant Sheriff retired. And when I went to the Department of Motor Vehicles, I want to say six hundred people. I don't know for sure. That's been some time, but about six hundred.

DMV, in those days as opposed to the present, was comprised of the registration division, the driver's license division, the motor carrier division, the administrative services division, and the Nevada Highway Patrol. So six hundred is about right, perhaps off a little bit.

How long did you stay at that job?

I served in that capacity for four years and when Governor Bryan was elected, he moved me to the Department of Human Resources as the director of that agency. That was quite a change for me, having been a policeman all of my life and then getting involved with the social scientists, the doctors, the nurses, and so on. I was there twenty-two months.

Did you go to the Gaming Control Board after that?

Yes, the Governor appointed me in September of 1984 as a board member to fill the position of Patty Becker. He, at the same time, announced that I would be the new chairman in January of 1985 to replace Jim Avance.

Did you have any experience in the gaming industry prior to your appointment?

No, I had not been involved in the industry at all. The only similar familiarity is that as a police officer I considered myself a “regulator” and gaming is a regulatory business.

Had you expressed to Governor Bryan a desire to work on the Board?

Yes, I had a desire to work on the Board—not necessarily in the chairman’s role, but as a member of the Gaming Control Board. In fact, I’d indicated a desire to Governor List, when he appointed me as the DMV director, but it just didn’t come to fruition. So when Governor Bryan asked me to serve, that was an achievement of a goal that I had had for a long time.

Was there any specific reason why you wanted on the Gaming Control Board?

I thought that it was probably a very dynamic organization. It gave you a broader base of experience, put you in touch with a very vital industry, and I just had the desire to do that.

When you were appointed to the Board, was there a stipulation that one of the board members had to have had law enforcement experience?

Yes. That’s one of the criteria.

When you were first named to the Board, who were the other board members?

James Avance was the chairman, and Richard Hyte was the other member of the board. He was an accountant.

You mentioned James Avance left. Did Mr. Hyte also leave?

Yes. In January of 1985, Mr. Avance left and I became the chairman. Mike Rumbolz, who was the Chief Deputy Attorney General in Gaming, had been appointed by Governor Bryan to fill Mr. Avance’s slot, and about a month or two into 1985, Mr. Hyte left and the governor selected the chief of audit, Guy Hillyer, to serve as a board member. Guy served for the balance of the term and when he left to go into private industry the chief of the audit division, Dennis Amerine, was appointed. So it was Dennis and Guy and Mike Rumbolz with whom I served until I left.

The Board prior to your tenure had several two-to-one votes and several public disagreements. Would you say that your board took more of a “team” approach on gaming control matters and conducted your meetings in more harmonious manner?

Well, I wouldn’t say that it was a “team” approach because that was one of the criticisms of the past board, in the sense that it was a “team” effort to run the agency and the agency couldn’t be run as a team, it had to be run by the executive director, who the chairman is as dictated by law. But we certainly had no public disagreements; we resolved any issues amongst ourselves. I think we were very professional and acted as gentlemen in the performance of our duties.

Who was the chairman of the Gaming Commission during your time on the Board?

Paul Bible.

And as a Gaming Control Board chairman, did you work closely with the Gaming Commission chairman?

Absolutely. The Board is a three-member board and they are full-time. The commission has five members and they work part-time in the sense that they meet and they make the final determination as to licensing. The investigations are conducted by the Board and their staff and presented to the Commission and under my regime, we had an excellent rapport with the Commission. In fact, right after I came into office, I called and asked for an appointment with Paul and we sat down and we talked about the things that I didn't want to see happen. I didn't want public explosions and even then, even though that's been a number of years ago, people disagreed, but you can disagree professionally and responsibly. And that's what Paul and I agreed to do.

As chairman of the Board, did you attend all the Gaming Commission hearings?

All but one or two, perhaps, in my tenure. It wasn't required, but I felt that you should because you provided input to the Commission to clarify issues. In fact, all three board members generally attended meetings. There were occasions when the other two had other responsibilities, but I was generally always there.

Do you still have any contact with Mr. Bible at all?

Oh yes—quite frequently, both from a professional standpoint and from a personal standpoint. I sincerely appreciated serving simultaneously with him as the commission chairman while I served as the chairman of the Board. I think we were a good team for Nevada.

Shortly after you took office in November of 1984, Dennis Gallagher, who was Chief of Investigations, resigned his position. He was the third Chief of Investigations to resign in less than two years. Were there any specific reasons why so many chiefs resigned in such a short period of time?

I have no recollection about the past. When I came on board, Dennis was a lawyer who performed well as a lawyer, but I preferred to have someone who had investigative experience and we reached a mutual agreement that he would journey on to other endeavors. He presently serves as a Compliance Officer for Harrah's. I replaced Dennis with Victor Freeman, who was at that time a Deputy Chief of the Nevada Highway Patrol, stationed at Carson [City]. He'd worked for me when I was at the Department of Motor Vehicles and I knew he had the talent that I found necessary to bring professionalism and a sense of responsibility to investigations today. He served from January of 1985 until December of 1986. He had a friend who had been with him at the highway patrol, Paul McGrath, who ran for sheriff in Carson City, and when Paul was successful in that election he asked Vic to serve as his undersheriff. So he left in December of 1986 and I promoted an individual from within the investigation division, Greg Schatzman, to serve for the balance of the time I was there. He continued to

serve after I had retired from the Board.

During your term, there was a major reorganization of the investigative division that provided more man hours to the investigators in the field. Could you tell us about that reorganization?

I wouldn't class it as a "reorganization" as compared to more stress on professional productivity. We were able to decrease the amount of time it took to handle investigations from several years in some instances, down to several months. Now, that's an average. I think that the reorganization, if you want to call it that, was enhanced by the fact the legislature in the 1985 session granted the Gaming Control Board the ability to increase its manpower and much of that manpower was assigned to the investigation division.

Were there ever any problems created by unqualified people working in the investigative or the enforcement divisions?

I don't believe so. You know, you can define "unqualified" in a number of different ways. There were some that were better prepared to perform the task than others, and in the course of time while I served as chairman of the Board, we were able to help move along those people who were not as well qualified to perform the job as others, with new people who came on board. I don't think it created a "problem." It was just an evolution, so to speak.

Were any steps taken to upgrade the hiring policies of Gaming Control Board staff members during your tenure?

Surprisingly, when I came on board, I found that there was very little background review done on agents, at least not a sufficient amount, in my mind. So I hired an investigator who had worked for me at the Department of Motor Vehicles, and his exclusive responsibility was to conduct backgrounds on *all* employees—not only the investigators and the enforcement agents, but the clerical personnel as well. We established a very firm policy and testing process that still exists today. It didn't seem to me equitable that you spend all your time, your resources, and your energies to investigate and review the background of individuals who were going to be in the gaming industry, when we did very little if at all, with the people who would conduct those investigations. It just didn't make sense to me.

Did you investigate the people who were already working, or was this just for new hires?

Primarily, it was effective on a given date; if we had some difficulty then we went back in and did what I referred to as a "cursory" review, but routinely it was done on a given date forward.

Did you ever have to perform an investigation on someone currently working, find out something wrong with them and then have to terminate them?

That happened on occasion.

A few months after you were appointed to the Board, Richard Bunker, former chairman of the Gaming

Control Board, appeared before the Gaming Control Board to be licensed as a key employee at the Circus Circus. Was this a difficult hearing for you and the Board?

I don't believe it was a difficult hearing for me and the Board. In fact the hearing was held when I was still just a member of the Board even though it had been announced that I was going to be the chairman in January. Richard and I had worked together when I was at the Metropolitan Police Department. He'd worked for the county so I had an understanding of him and his philosophies. He became a member of the Gaming Control Board simultaneously with me moving to Carson as the Director of the Department of Motor Vehicles. We were both appointed by Governor List. But there was some undercurrent within the agency that boiled over after he left as its chairman and those things had to be overcome. But it wasn't difficult for me to overcome those; I just used a sense of fair play and we moved ahead with the review and he ultimately was licensed as a key employee at Circus Circus.

Did the Gaming Control Board hold a closed-door session the day before the final hearing on Mr. Bunker's application?

I don't recall that it was the day before but certainly there was a hearing, and what I refer to and what they referred to then was an investigative hearing, which was commonplace. There were some issues that had to be resolved and we had such a hearing for Mr. Bunker.

So it wasn't completely unusual.

No, it was not at all. In fact, in the first two weeks that I was a member of the Board, I attended an investigative hearing involving some additional applicants for the Peppermill Hotel/Casino. I liked to have the agents conduct investigative hearings to resolve some issues which weren't clear. It moved the process along and helped speed the whole applicant review process considerably.

There was a newspaper in Reno that seemed to be especially opposed to Mr. Bunker's licensing. Would you care to comment on that?

Of course, the only newspaper in Reno was the *Reno Gazette-Journal*, so I assume that's the newspaper you're talking about. I don't recall the specific articles, but I didn't let that influence my personal decision and how I handled the licensing from my personal perspective. And again, I think some of that problem probably went back to when he served as the chairman. You know, in that role, you're a public figure and you're subject to second guessing and scrutiny as much in that office as some people in the political arena. I didn't consider myself to be in the political arena, even though there are those who would disagree with me, but you're under scrutiny. You live in a glass bubble like people who run for political office.

Well, of course, as you said, Mr. Bunker was approved as a key employee and has continued to serve the State of Nevada for many, many years.

Yes, his actual government jobs ended as the Chairman of the Gaming Control Board, but he went into the industry and that's where he has functioned. His last role was as president of the Nevada

Resort Association in Las Vegas.

Is he still president?

No, he's retired and I don't know what he does other than, perhaps, act in some consulting role to the NRA.

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In February of 1985 the Boyd family bought the Stardust and the Fremont Hotel/Casinos. The Stardust and Fremont had long been a thorn in the side of regulators when it was operated by the Argent Corporation. Did the Boyd family purchasing these casinos bring an end to the many problems that regulators had faced at the Stardust over the years?

Of course, you have to understand that the problems that they helped resolve occurred before I came onto the Board. The prior administration had appointed the Boyd group as supervisors at the Stardust and the Del Webb Corporation to supervise the Fremont. The Board during my time then licensed the Boyd group to purchase both the Stardust and the Fremont. And, it pretty well put an end to all the problems that had been created before with financing and unsuitable persons. It was a great resolution and it had been crafted primarily by the prior administration.

By James Avance's board?

Right. And by the Commission.

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In October of 1985, the Hilton Hotel Corporation was licensed to operate and own a ten percent interest in the Conrad International Hotel and Jupiter's Casino in Queensland, Australia. Would you tell us the significance of the licensing?

Well, they were the first Nevada licensee to file for a foreign gaming license. The application was actually filed in 1983 and they started their operation in 1983, but the finality of their approval didn't come until October of 1985 when they were licensed to own ten percent of the casino operation in Queensland.

Did the Gaming Control Board send agents to Australia to investigate the Australia regulations?

Several agents were sent over there including a member or two of the Board. And that's one thing that I'd like to note. Prior to my coming on the Board, they used to routinely send the board members and/or the board chairman to conduct these investigations, and I modified that considerably. I felt it was the role of the experienced agents to conduct those investigations, and the board members, or the board chairmen themselves, only went on rare occasion to conduct these reviews. But the agency had sent a number of agents from both the investigation and audit divisions along with the attorney general

representative to extensively review the Australian system and to give the Board a sense of well-being and the sense that it was well-regulated in Australia. They wanted to be certain that there would be no embarrassment to the State of Nevada if it granted a Nevada corporation the ability to operate in a foreign jurisdiction.

How long did the Nevada gaming agents inspect and analyze the Australia gaming control system?

Well, according to my recollection, the investigation of the review started, actually, when they filed their application in 1983 and continued until just prior to their approval in 1985, so it lasted almost two years. To what extent before I came on the Board, I don't know.

Was the Hilton operation held up until it was granted approval by Nevada?

Yes. And there were several meetings; there's reference in another publication about the extent that the review was conducted. We required them, for example, to develop a compliance committee and to report certain findings to the board. Skip Avansino, a local Reno attorney who served on the Commission at one point, was recommended to the Hilton Corporation by the Board to sit on its compliance committee and he ultimately became the president of Hilton Corporation and a member of Board of Directors. So it was an intensive, ongoing, lengthy review but well worth it since it was the first opportunity for Nevada to ensure that companies who operated in foreign jurisdictions operated properly and that the regulation in that foreign jurisdiction was sufficient to satisfy our concerns.

So it was a real landmark application and paved the way for many other organizations.

Absolutely. Of course, the foreign gaming law has changed considerably since I've left the Board, and it's a little easier for Nevada companies to journey into foreign jurisdictions now than it was back then.

Were there any conditions imposed on the Hilton Corporation by the Gaming Commission? Was Hilton allowed to police their own operation?

Well, I mentioned the compliance committee requirement, and that wasn't new. It was new to Hilton but it wasn't new to the industry. It was started originally with Bally Manufacturing when they first came to town and became a manufacturer and distributor. But the compliance committee is the self-policing mechanism that a company uses with some written guidelines that are approved by the board chairman to ensure that they operate according to the requirements that the Board lays down. And that was a condition on their approval, that they have a compliance committee, that they have a Nevada representative, a Nevada director. There were other conditions but I don't recall what they were.

Did you go to Australia yourself?

No, I did not, but I did go later on when Hilton had already established themselves and had been approved in 1985. They approached the Board about wanting to enter into an agreement with some Turkish individuals to establish a hotel/casino in Istanbul. That was a different kind of a country than

Australia and I and my Chief of Enforcement at the time, Stan Romanski, ultimately journeyed with corporate counsel from Hilton, Bill Lebo, to Istanbul and Ankara to try to firm up some of the same things that had been done in Australia as far as the regulatory process was concerned. Prior to that, I had made a trip to Queensland to ensure that the operations were going as they were supposed to, that the regulatory process was firm, and met with the regulators in Queensland. It was within a week after that that we made the trip to Istanbul and Ankara. I retired from the Board shortly after that but Hilton did enter into an agreement with this Turkish group and they did build a facility in Istanbul.

In December of 1985, Wayne Newton requested permission to foreclose on a parent company of the financially troubled Aladdin Hotel to recover part of the ten million owed to him by his former partner, Ed Torres. What was the Board's decision on that request?

Well, the Board recommended that Wayne be given the ability to foreclose and the Commission acted upon that but set up a number of conditions. As I recall, this was a telephonic meeting for the most part. I don't recall Mr. Newton ever appearing before the Board while I was there, and I'm sure I would recall something like that. But there was a discussion about his involvement actively in the company and there were some conditions placed on that approval and gave the chairman of the Board the ability to stop any activity if those conditions weren't adhered to.

Well, as I recall, Newton and Torres were partners at one time. Is that correct?

They bought the hotel in 1980 and yes, they were partners, like 50 percent ownership, as I best recall. But that friendship/partnership kind of went by the wayside and I wasn't privy to all of the ups and downs, but there was clearly some difficulty in the partnership from a personality standpoint.

Did Mr. Newton then pull out of it and let Torres buy it from him?

Yes. And, of course, it wasn't long after that that the bankruptcy proceedings began and that's another story.

Were you involved with the bankruptcy?

Yes, I was. That's where Mr. Yasuda comes into the picture—after the bankruptcy.

When did the bankruptcy take place?

In 1985 Mr. Yasuda made an offer to buy, and he had a competitor, I have forgotten who the competitor was, but the bankruptcy court accepted his offer and he filed an application for licensure in 1986.

Was the Aladdin closed while Yasuda was applying for his license?

Yes, it was not operational during that period of time, but he did considerable remodeling during that period of time.

Do you recall how long that the Aladdin was closed?

I don't remember when it closed in relationship to the bankruptcy. Mr. Yasuda wasn't licensed until the latter part of 1986, so it was closed at least a year that I recall.

Was the purchase of the Aladdin by Mr. Yasuda the first purchase by a foreign investor?

Yes, it was.

Did he experience any difficulties getting licensed?

Yes, it was difficult for the agents. He was a Japanese citizen and his holdings were primarily in Japan and there are certain standards within the Japanese community that would preclude our people—meaning our agents—from gleaning the information you need to glean. So it was most difficult. There wasn't the cooperation that there needed to be and it took an inordinate amount of time to accomplish what needed to be accomplished to satisfy ourselves that Mr. Yasuda wasn't involved with nefarious people and that his money was where he said it was. But it was most difficult because of the language barrier, and because of the privacy requirements that Japan places upon their citizens, and it's still a problem to the best of my knowledge.

A problem for any Japanese investor?

Yes.

What were some of the other problems or difficulties?

Well, it was just a very tenuous time and I know that even though I believed that he could understand the English word, communication problems between himself and the Board and the regulators was difficult. I recall the morning of the hearing in Carson [City], just before it commenced, I received a phone call from someone alleging that Mr. Yasuda was connected to the Japanese organized crime families, which turned out not to be true. But it seemed like there was a stumbling block at every step of his way to preclude him from becoming a licensee in Nevada and the end result was he got a limited license, but he had difficulties after that, as time would tell. Not that he wasn't a proper, suitable individual, but he simply didn't understand the requirements of Nevada. He didn't avail himself of the right people, and when he did he didn't follow their advice and he ran into difficulty.

Did he wind up going bankrupt too, or being forced out of the business?

I can't remember whether he went bankrupt or not because that was sometime after I left the board. I did express to him that we realized it was difficult for him, and this was on the public record that if he needed questions answered, assistance that could be provided legitimately, all he had to do was pick up the telephone and call, and he never really availed himself of that, to my knowledge. At least, he didn't while I was at the Board.

You mentioned earlier that board members went to Australia to check out Hilton. Did board members go to Japan or had you put in that rule that you'd rather only the investigative people would go?

Well, it wasn't a rule. It was just an operational decision that I'd made, but I guess you could call it a rule. Everybody else would say it was rule.

[laughter]

As I recall, however, Mr. Hillyer went, because he had audit expertise. That's my recollection. We were very selective as to who made those trips.

It must have been difficult trying to read the bank statements.

It wasn't the first occasion that we'd been to Japan. Prior to my coming on the Board, there had been a manufacturer/distributor licensed. But, this was the first time that a Japanese citizen was going to be licensed, potentially, to operate a hotel/casino. And it was difficult in those days to glean information. The agents had very difficult times.

We have talked about two history-making events that happened in 1985 and 1986: the Hilton becoming the first Nevada gaming licensee to introduce gaming in a foreign country, and Yasuda's purchase of the Aladdin. A third event also happened that year involving the Carma Corporation. Would you tell us about that event and what was so unique about it?

Well, Carma was a public company in Canada who, prior to 1984, had obtained property that I refer to as "The Bourbon Street" hotel/casino on Flamingo Road in Las Vegas. They were a public company and they wound up finding themselves in a position where they wanted to operate the gaming establishment. Of course, as a public company outside the United States, there was no ability pursuant to our rules and regulations or the law to allow them to do that. They appeared before the Gaming Commission, in October of 1984 and a waiver was granted so that the Gaming Control Board could accept an application and begin a review. Their application was accepted and an investigation commenced. In January of 1985, when I became the chairman, I, accompanied by Jerry Kowitt, who was the Corporate Chief of Security for me, and Bob Faiss, who was counsel for Carma, journeyed to Canada and spent time in two major Canadian cities. The latter was Montreal; that's where the equivalent of the Canadian Stock Exchange existed, and there was another stock exchange in a western province. My purpose for going up there was to review their regulatory process, in so far as public companies were concerned and we did that in a short period of time while the investigation in the interim proceeded simultaneously.

The legislature was approached by Carma's representative, and a bill was passed in June of 1985 that would allow a public company from a foreign country to have the same ability for licensure as an American company. A very few days after that bill was signed into law, the Board was through with its investigation and the law tracked the criteria that was developed by the Board and the Commission in its review of Carma, so there wasn't any hold-up, and they were licensed as the first foreign public company to operate a gaming operation in Nevada.

In 1979, long before you were Chairman of the Board, federal indictments for skimming and maintaining hidden interests in the Tropicana Hotel resulted in the 1983 conviction of Carl Thomas, the Civella Brothers, Joe Agosto, and others. Would you give us some background on Carl Thomas?

He was active in the community before I became a member of the Board, and actually when I was still in Las Vegas working for the Metropolitan Police Department. I did not know him, only occasionally heard his name, but obviously he was indicted in the Tropicana incident and then subsequently indicted in the Argent matter that we earlier talked about. He was a man of good standing in the community, well-respected both by community leaders, regulators, and law enforcement. But, obviously, he wasn't what people thought he was.

Was he a casino owner and operator also?

I recall that he operated the Bingo Palace and the Slots-A-Fun Casino. He first came to my direct attention in 1985, after a conviction was had in the matter on the Tropicana and Argent, and the Board's agents considered him for admission to the "Black Book."

Was he ever sentenced to prison time?

Yes, and that became an issue for us. In our attempt to enter him as a candidate in the "Black Book" (that's the common name that everyone calls it; obviously it's the excluded person list), he refused to cooperate with our agents. And we discovered during the review for the "Black Book" that there had been a filing before the federal court back East to reduce his sentence from several years to a limited period of time—two years as I recall. He eventually wound up serving a little less than two years and was released back into the community.

Did you try to get his sentence extended?

When it was brought to my attention—the filing for the request to modify the sentence—I wrote a letter as the Chairman of the Board to the judge handling the matter and pointed out his lack of cooperation. Obviously the judge ignored my request and he sentenced him to a little less than two years and he was ultimately released, as I said.

Was he included in the list of excluded persons—the "Black Book"?

Well, we had the hearing in 1985 or 1986 and his lawyer argued a number of issues. The Commission didn't accept those issues as to the placement, but he pointed out that when he was released from custody, he was ordered, for a five-year period, not to be anywhere near Las Vegas or the casinos. As I recall, he was not to go within fifty miles or so of the community. So the Commission put the entry of the "Black Book" in abeyance and he ultimately, after I left the Board, was admitted to the "Black Book" in 1990, if I recall correctly.

This is after your time also, but do you know whatever happened to Mr. Thomas?

No, I know he passed away, but I don't know what the circumstances were.

What are your personal feelings on the "Black Book"?

Well, I think it's a very valuable tool. Sure, there are not great numbers of persons in the book, and at one point during my administration, there was considerable concern about the Las Vegas Metropolitan Police Department's attempt to increase the numbers from eighty to one hundred and that would have been mind-boggling to be able to achieve. I think the industry generally accepted my premise that that was too much. I think it's a useful tool as long as it's within moderation, and I don't think there has to be any given number that you have to achieve. It's not the type of an excluded list that New Jersey uses, because almost every incident of a disciplinary measure or nature causes a person to wind up on an excluded list in New Jersey. If you had the manpower, and you had the resources, certainly you could increase it more, but not beyond the level where you really concentrate on the hardcore people that you think will improperly influence gaming in Nevada. I think if you leave it in the lower limits it serves its purpose.

And as you said, if you put in too many people, it almost becomes worthless.

Yes, plus it's an extreme burden on the licensees themselves. By pure happenstance, one of those individuals could wind up being there. They do now have a "denied applicant" list that's been circulated and cast into a law, and the licensees have to be concerned with that. So I think the book itself serves its purpose as it's being utilized.

Does the "denied applicant" law exclude persons from a casino?

No, it states that a licensee cannot do business with a denied applicant unless they seek special permission from the regulators in Nevada. It's a list that is updated every quarter, it goes back several years.

Would this be people that were selling dice or cards to a casino?

It covers all aspects. For example, an individual who wanted to buy an establishment in Las Vegas last year was a land developer out of San Francisco. He became a denied applicant when they turned his license application down, so he cannot do any business with any gaming establishment unless he seeks special approval from the regulators.

What kind of business would he do? Or would he attempt to do?

Well, he could become a landlord, or he could be a vendor supplying product in a marketing sense, for example. A wide variety of things, and for each of those contacts with a gaming license, he would have to be approved prior to the action taking place. But he's not prohibited from gambling, or being in the casino. It's not like the excluded list.

Did you oftentimes appear before the legislature to lobby for issues that were important to the Gaming Control Board?

Well, I prided myself on not having to go too often. We had a rather limited program both legislative sessions when I was there, but I certainly appeared each session on budget matters and conducted the presentation with some support. When it came to the technical side of some of the legislation, I appeared in some instances, Mr. Rumbolz appeared in some instances, and occasionally, Mr. Hillyer upon request, or Mr. Amerine, but primarily it was myself or Mr. Rumbolz.

Were you there if they had questions about any gaming matters?

Yes. Any time there was a question from the legislature, they would summon me and I would respond. But, I didn't have the luxury to be able to stay there for the entire session, because we were an active agency.

Did the gaming industry have a strong lobby during your term? Was the Nevada Resort Association active then?

The Nevada Resort Association was in effect and Northern Nevada also had an association. The law firm of Lionel Sawyer & Collins, especially Bob Faiss and Harvey Whittemore, were very active. Richard Bunker was also involved in some fashion. It was a team concept, but primarily, if I had issues with legislation that had been proffered, I would meet with Bob Faiss and Harvey Whittemore.

During the legislative session of 1985, major legislation was passed that was extremely beneficial to gaming regulators. What were some of the most beneficial laws that were passed that session?

From a personal perspective, I think that the budget that was passed, wherein I asked for an increase in personnel, was significant as to the proper future performance on a professional basis for the Board. Of course, the technical legislation that stands out in my mind we've already talked about, and that's the ability to allow foreign public companies to operate a casino. Those were the two significant things that I think were landmarks for the Board.

What role did you play in getting this legislation passed? Did you spend a lot of time lobbying?

Well, I didn't spend an inordinate period of time, but I spent the time that was necessary, particularly on the budget. I probably spent more time in the budget presentation before two committees than anything else. We supported the foreign public company legislation because that came from the industry, but most of my time was spent on the budget.

Approximately how many people were on the staff of the Gaming Control Board when you were chairman?

Well, the figures for 1986 and 1987 were about the same: 348 in 1986 and 364 in 1987.

Did the budget increase allow you to add more people to your staff?

Yes. In 1985, they allowed me to increase over the biennial period, a two-year period, fifty-eight total people, the majority of whom were agents. As I mentioned before, in my mind, that was the most outstanding piece of legislation in 1985 for the Board itself.

Did that speed up the licensing process quite a bit?

Yes. Of course, it takes time to hire that number of people and to complete their training, but ultimately, yes, it did speed up the process. My goal was to try to move the time of the average application process from twelve to eighteen months to less than twelve. We got the time down to an average of about seven to eight months to process the routine applications. So, yes, it did achieve the goal.

That is very important to the individual, the state, and the property to get a speedy decision on your license.

Yes it is. You know, you have people who are interested in entering the industry, or someone who wants to expand, and if they're held up because of the lack of resources and the timeliness that it takes to process those applications, that's tax dollars missing. It's vital for applicants to get speedy decisions. I've had instances when I sat on the Board when people found out how long it would take, and they became disinterested dramatically.

In the mid-1980s, you became aware that many of the gaming attorneys coming before the Board were lacking in good judgement or knowledge of the industry. What action did you take to help alleviate that situation?

I drafted and sent a letter to the Gaming Attorney's Group, cautioning them to help solve the problem to ensure that gaming lawyers who appear before the regulators were well-prepared and represented their clients in a better stance than some experiences have shown had previously occurred. And the letter was well-received.

Were there actually any people that possibly didn't get licensed due to their attorneys not having basic knowledge of the licensing procedure?

I can't remember anything that drastic, but delays occurred as a result of unpreparedness on the part of counsel. In some instances, unfamiliarity with the uniqueness of the gaming law caused delays. There might have been one or two instances where perhaps a potential client had lost the ability to glean a license because of the inappropriate conduct of the lawyer, but the most difficult part was the time that it took and the delays that took time away from us in processing other applications that were better prepared.

Was there a regulation created that governs the eligibility and conduct of people who represent applicants and others before the Board and the Commission?

It wasn't created as a result of that; it was in existence already. It was "Reg 10." It's been modified a number of times, but people just didn't focus on what their responsibilities were. They knew what Reg 10 was from conversations with counsel, but they just didn't get into the nuances of the specific regulations. There is a regulatory book with rules and regulations that's a good three inches thick and you've got to have a working knowledge of what those are to properly represent your client.

Can any attorney who is licensed in the State of Nevada appear before the Board or are there certain exams or tests you have to take?

No, if you're licensed to practice as an attorney in Nevada, you can automatically appear before the Board. And other enrolled agents can appear on recommendation from someone who's already enrolled to practice before the Board. For example, any individual can say they represent someone as long as they're recommended by an enrolled agent. They can appear before the Board. It's not a hard fast thing from what I've seen. When I sat on the Board, I would accept input from people on given issues without regard to that fact. I just thought that was part of the common sense approach to getting the end result achieved.

In April of 1986, Bally Manufacturing Corporation sought approval to purchase the MGM Grand Hotels in Reno and Las Vegas. Would you tell us about that application?

Well, that's correct, they did make an application to buy the two MGM properties in Reno and Las Vegas, but it was going to be such a difficult task that I, as chairman of the Board, made the decision to bifurcate the application. We already had an ongoing compliance requirement for Bally, so we would use that compliance requirement and continue to review some of the specific people involved beyond the deal later on. It just made common sense that you couldn't accomplish that in a timely fashion, so the bifurcation appeared to be the best way to move the application along. After I was through with that process, I said that I would probably never bifurcate again, because it became too long and too complicated and was a little awkward, but it achieved the end result: the acquisition of two properties by someone who wanted to sell them, who was a licensee, to the buyer, who was also a licensee—Kirk Kerkorian, who wanted to sell the two hotels, and Bally Manufacturing, that wanted to buy them. So you had a seller in the form of Kerkorian, who wanted to move it along, and you had a buyer in the form of Bally, and they both were licensees. It was a long, extended application, and it ended up taking us quite a while in the bifurcation to tie up the loose ends from some of the areas beyond the deal itself. If we had not approved the acquisition, and spent time looking at all facets of it, it would have gone on to the point where perhaps the sale might not have been consummated.

Who were some of the officers and directors of Bally that applied for licensing?

Well, Bob Mullane was Chairman of the Board of Bally, and there was a vice-president, Jim Rochford, who was their compliance person. Mr. Richard Gilman was to be the principal operating person for the company. He wasn't licensed in the initial process until we could resolve an issue with one of his employees. After we resolved that issue with her, he was summarily licensed as the Chief Operating Officer for the hotel companies.

* * * * *

A person named Joe Slyman, the owner and operator of the Royal Casino, had quite a troubled history as a casino operator. Would you give us some background and tell us about Mr. Slyman and the troubles the board had with his operation?

Mr. Slyman was the operator of the Royal Casino in Las Vegas and he'd applied for race and sports book licenses. When we started the review of that application, we kept coming up with one thing after the other—poor accounting principles, non-adherence to the rules, his lending procedures. We even drafted a complaint at one point in time. Then we'd get certain things accomplished and we would grant limited licenses, and this limited license thing went on way after I left the Board, and finally, the Commission just let the license lapse and he no longer was involved in gaming. It was a case of inept management, and you might wonder why didn't we stop it earlier? Because he was a longtime licensee, we were trying to get him to comply, but he simply wouldn't listen and we spent an inordinate amount of time, manpower, and effort on his license. Probably more than we should have, in retrospect.

It has to be a difficult decision. You're weighing closing a casino, putting people out of work and depriving the state of taxes, against leaving it open and trying to help the individuals and the state.

As I said, in retrospect, probably we should have closed the doors early on because it clearly wasted a lot of time and effort for both the Commission and the Board. However, I personally wasn't necessarily focusing on the tax revenue part, but on keeping it open and viable and keeping the people employed.

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In August of 1986, there was a gentleman named Charles Bluth, who appeared before your board requesting a license as owner/operator of the Cal-Neva Lodge at Lake Tahoe. Would you tell us about Mr. Bluth and about any problems the Board had with him?

Mr. Bluth was a building contractor in Southern California who had acquired the Cal-Neva at the lake, and he was most difficult from the standpoint of the agents trying to get the necessary information to process the application and do it timely. In fact, at one point I had Mr. Bluth and his counsel come to my office and laid down certain guidelines that he was going to have to adhere to or the item would not be placed on the agenda. He corrected some of those things and even up to the day of the hearing, still had not complied with some. It was very frustrating and I think that is evidenced by the comments of all three of the board members in the hearing, and the fact that we voted three-yes not to recommend his licensure. When the Commission heard him the next week or so he was a transformed individual, both in his presence and his compliance and so on. But, I think that history will show you that he was difficult even after licensure. He was an individual that wanted to push the limits when it came to following the regulations and, of course, he still is an operator and the Board still has its difficulties with him from time to time. However, he still operates the property and apparently is successful.

You mentioned something here I'd like to go back to. You say the Board recommended denial three to

nothing and yet the Commission okayed it. Please explain how the Commission can override your vote.

It takes a unanimous vote of the Commission to override a denial on the part of the Board. And that's an instance where that occurred.

So if it would have been a four-to-one vote by the Commission he would have been denied?

It would have been denied, right.

* * * * *

While on the Board several unsavory characters appeared before you. Were you or your family ever threatened by any of those people?

On one occasion my daughter was intimidated by a relative of one of the applicants and then the individual made a visit to the Las Vegas offices of the Board and indicated to the agents that my life was in jeopardy.

This is while you were still on the Board?

Yes. We took the necessary steps. He never followed through, nor did he show up at any meetings and I chalked it up to a disgruntled son who was trying to defend his father's rights. He just took the wrong steps in trying to do it, but no one was hurt. That's the only one that I recall.

Were there any eccentric, strange or unusual characters that appeared before you during your tenure that you would care to discuss?

It depends upon how you define eccentric or strange. It was a very interesting job and you were confronted with all the personalities that one could even imagine. I think probably the most unique individual was "Cave Rock Manny" [Beals], who, when he appeared before us, and he tried his normal intimidation techniques, I cut him off.

Would you give me a little background on Cave Rock Manny?

He was a licensee at Lake Tahoe but he had a slot machine license only. When he appeared before us, he'd constantly get up and interrupt the meeting and try to intimidate the witnesses.

Was his casino at Cave Rock, Nevada?

Yes, Cave Rock, on the South Shore of Lake Tahoe. It seemed like Manny followed my state government career because he would tangle with people at DMV and he would tangle with the Health Division when I was the Director of Human Resources. He was an intimidator, a bully; just his mere size would intimidate some people. I was prepared for him when he came before the hearing, and, as I said, I shut him down; I just ordered him down. It took a couple times to get that done and then he finally

quieted down and we went on with the hearing.

* * * * *

How about a fellow named John Anderson?

Yes. He was the farmer from Davis, California that owned the Maxim. Right after I came on the board, I got a visit—unscheduled, unannounced—from John Anderson. He came in and wanted to introduce himself to me. He was the licensee for the Maxim in Las Vegas and the Tonopah Station in Tonopah, and he wanted to talk about some issues as they related to his licenses, and, as I recall, he wanted to talk about the Dunes, but I'm not certain of that. I simply told him that it was an inappropriate time for the conversation and that he should prepare himself, contact an attorney, and come back and talk to me about what the issues were. Beyond that I had no difficulties, so to speak, with him. I'm aware that after I left the Board his financial kingdom kind of fell apart and he had difficulties at the Maxim and ultimately had the Tonopah Station taken back by the landlords.

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Did you ever have any political pressure to make certain decisions, appointments, or rulings?

Absolutely not. When I took the job, the governor and I chatted about that and he recognized that there was a role I had to play and he never interfered, nor did anyone else.

As Chairman of the Gaming Board, what did you feel was your uppermost responsibility?

To function in the role of executive director of the agency, and to see that the organization was professionally run and that the dictates of the State of Nevada were met. That's what I thought my responsibility was.

What words would you use to describe the Chairman of the Gaming Control Board, Bart Jacka?

I would say that I was firm but fair, I believed strongly in the open door policy, not only for licensees but for employees, and I think I was a good listener. I also believed that a philosophy of common sense was better to use sometimes than anything else.

You had several major accomplishments during your tenure. Would it be possible for you to list what you feel were your major accomplishments?

Well, one of my goals was to decrease the application process time, which I believe I did. Another was to establish better professionalism amongst the troops. Another, one I accomplished on the last day in office, was I wanted some of the accounting regulations revamped so there was more simplification and the licensees had a better chance of accomplishing their ends. I signed an order to that effect the day I left office in 1987. I wanted to bring back a sense of pride and belonging, and I think I accomplished that. And besides that, I had a lot of fun. I enjoyed the job.

Why did you resign from the Board?

Years ago, when I got started in the government business, I said that I would try to work thirty years and then retire and press on to something else. And, that's exactly what happened. I was fifty-one years old when I retired and I had my thirty years in service between state and local government. I did not know it at the time, but my late wife, shortly after I retired, discovered that she had cancer, and had I not resigned from a voluntary standpoint, I probably would have had to in order to help her in her seven years of struggles. I also thought there comes a time in every individual's life when you've accomplished things you've wanted to accomplish and your career comes to an end. I'd been very, very fortunate, I thought, in the various jobs I had to not have had undue criticism—beyond what I deserved—heaped upon me. In a state agency when you wake up every morning, even though you think you're in control, you literally don't have the control you think you do because it's so vast. There are one hundred and ten thousand square miles that you're responsible for, in the sense of the word, and you don't know what all the people do. I just reached a time when enough was enough. I was tired. The statute talks about the "executive director of the agency," and that's what the chairman is. And if you run the day-to-day operations in the agency in addition to the public persona that goes along with being the Chairman of the Board, it's a big role. Besides, I went from no glasses to bifocals because of all the reading material that I went through and it's a lot worse today than it was then.

What did you do after you resigned from the Board?

I was hired by Bally's in Reno. I worked for them for nine years, ultimately becoming a vice president of Bally Manufacturing. Then Bally Manufacturing spun off the gaming side of it to a public company called Bally Gaming International Inc. with a subsidiary in Bally Gaming Inc., and I became Vice President of Gaming Compliance for Bally Gaming Inc., and a member of their board of directors. I also became vice president of the parent company, Bally Gaming International. I worked for them for nine years and monitored their licensing throughout the world and, of course, when I became a vice president, that threw me into a licensing role. I was licensed in fifty-some jurisdictions, including Indian gaming at the time I left in 1996.

Who were you directly responsible to? The Board of Directors?

Mr. Gilman was the Chairman of the Board, and I reported to him, and from a compliance perspective, the audit committee monitored some of my activity. Because it was compliance cited my direct report at the parent level was Mr. Gilman.

Is he the gentleman who was originally licensed when Bally Manufacturing got licensed?

Well, not initially. He was licensed a few months after Bally got their license, when we resolved that one issue.

Is he still with Bally Manufacturing?

No, he's retired. Bally Gaming International and its subsidiaries were sold to Alliance Gaming in 1996 and Mr. Gilman and I departed. I've since talked to him a couple times on the phone, but I don't know what he's doing today.

Were there any adverse comments from the general public or the gaming industry when you left as chairman of the Board to go to work for a gaming company?

None that I'm aware of, but that year the legislature had before them a bill relating to a "cooling-off" period. I wasn't affected by that because I was already employed in the private sector. However, there was no negative comment as far as I know. I do think there was a great concern on the part of some of the legislators and the governor himself that to ensure the integrity of the process, there should be a cooling-off period. I never agreed with that, and the reason I didn't is that this mind can only retain so many things and you cover so many issues that I don't think it's significant. And I don't think in the history of the regulatory process there's been anyone that has violated that policy, or caused any embarrassment to the State of Nevada.

But the law was passed and it's in existence now and seems to be working well.

What are you doing now?

I'm a gaming consultant. I chair the Compliance Committee for one public company in Las Vegas that's involved in a race-and-sports-book operation. I also chair the Compliance Committee in Reno for a licensed manufacturer—a private company—and I presently sit on the Board of Directors and am an officer for the parent company that owns the Four Queens Hotel in Las Vegas, the Elsinore Corporation. I also consult for Elsinore Corporation in compliance matters for the hotel.

You sound like you're very busy.

I'm semi-retired, but it's an interesting business and it keeps my mind busy. It affords me the opportunity to do things I couldn't do otherwise, and besides, my wife still works, and when she retires we'll do something different.

Is there anything you would like to add or any people or properties you would like to discuss or are we at the end of the story here?

As I've said in the past, I think this particular job in gaming was the most dynamic, most interesting, most challenging, most time-consuming, and the most exhausting. But were I younger, and were I asked to do it again, I'd do it in a heartbeat.

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BOB LEWIS



Bob Lewis was born in Ely, Nevada in 1936 and moved to Reno to attend the University of Nevada. While at the university he was a fraternity brother of future Nevada governor and U.S. Senator, Richard Bryan. After graduation, Lewis served in the U.S. Army, began a thirty-year career with the Sierra Pacific Power Company, and was central to the founding of the Economic Development Authority of Western Nevada (EDAWN). In 1984, Governor Bryan appointed him to the Nevada Gaming Commission, a position he was to hold for almost thirteen years with three different chairmen: Paul Bible, John O'Reilly, and Bill Curran. After his time on the Board, Lewis remained connected to the industry by serving on the compliance committees of numerous gaming entities, including the Hard Rock Hotel, the Venetian, and Konami Gaming.

Bob Lewis. Photo courtesy of Bob Lewis

Dwayne Kling: It's December 12, 2003. My name is Dwayne Kling. I'm with Mr. Bob Lewis, in his home in Reno, Nevada. This is the first in a series of oral history interviews with Mr. Lewis. I would like to ask you, Mr. Lewis, does the Oral History Program of the University of Nevada have your permission to make available to the public the tapes and the transcripts of the interviews that we are about to begin

today?

Bob J. Lewis: Yes

Let's start out by asking you when and where were you born?

I was born in Ely, Nevada, in 1936.

When did you come to Reno?

I came to Reno after graduating from high school to attend the university, and I've been here ever since.

What did you do after graduating from the University of Nevada?

After I went to the university I was in the Army. I was a second lieutenant in the artillery and spent my time at Fort Sill, Oklahoma.

Was that during the Korean War?

That was after the Korean War. That was in 1959. Then I came back to Reno and went to work for Sierra Pacific Power Company. And I worked there for thirty-some odd years.

Were you working there when you were appointed to the Gaming Commission?

Yes.

What year were you appointed to the Gaming Commission?

I was appointed to the Gaming Commission in 1984 by then-Governor Bryan. I was appointed at that time to replace an unexpired term of Ray Avansino, who was appointed to do some other things as an attorney for a trust. And so he had to resign from the Commission, and then I fulfilled his unexpired term.

Did you know the governor prior to the appointment or had you worked with him on any projects or anything?

Well, we were fraternity brothers and we went to school together. And then, of course, I didn't see him when he went back to Las Vegas and went into law. But when he became governor he was very big in economic development, and that was one of his cornerstones for his campaign. I happened to be doing a lot of economic development work here in the Truckee Meadows; I was the original founder of EDAWN [Economic Development Authority of Western Nevada], and then-Governor List had asked me to serve on a committee to improve the functioning of the Commission on Economic Development and the Commission on Tourism. I was one of a ten or twelve-member committee for both Las Vegas and Reno. And after a long study, we had made recommendations to redo that whole thing, as neither one of

those commissions were very effective. We made the recommendations to List, and that was about election time, and, of course, Bryan beat List. And we had done all this work and the committee believed in it so much that we wanted to make sure that this was carried forward. And because I knew Dick, they asked me if I would sit down and talk to him. And I along with a couple of other guys visited with Bryan and we went through all of the material. And he was very impressed with what we had done and he adopted the whole system, which is still in place today.

And then I did after I worked on that helping him do that, it was really a strange thing. I got a call one day from Marlene Lockhart, his assistant. And she said, "The governor would like to have coffee with you."

And I said, "Well, that's fine."

And so we met at the old Lyon's restaurant out on South Virginia. [laughter] He had just come from Las Vegas or something. And he asked me if I would be interested in serving on a commission. Well, I thought it was going to be Economic Development, because that's where I really had the background and the knowledge and I'd done a lot of things there. And he said, "No, no." He said, "I would like to appoint you to the Nevada *Gaming* Commission." Well, to be honest with you, I didn't know anything about the Nevada Gaming Commission. And so he explained a little bit to me, and then Marlene sent me a lot of information.

Did you immediately agree to go on the Commission?

No, no!

No?

I did not agree, because I didn't want to do something that I didn't really feel comfortable with, and I needed to understand how it all worked. And, of course, I had a very good job with the power company, too, besides that. And I had to talk to those people, which I did do. And after a while it worked out fine and I agreed to do it. It's a crazy thing. When I said, "OK, I'll do it," he had already—of course, he didn't have to do a background check. He knew me pretty well.

But he said, "OK, I'll meet you at Lyon's again for coffee and we'll talk about when you start and all that kind of stuff." I went to Lyon's and Marlene was there at that meeting. She had this huge briefcase and she said, "This is your material for the meeting next week."

[laughter]

Well, I mean, I didn't know anything about the Commission—the operational procedures of the commission or anything. Fortunately, Paul Bible was the chairman. Paul called me—I know Paul very well—and he kind of gave me the background. He said, "Look at all the information, read all the summaries and so on, and if there's anything in there you don't feel comfortable with, just abstain." I didn't realize that each commissioner voted on each agenda item and the majority ruled and there were a lot of other complicated rules in there. But I went to that meeting and I was dumbfounded. I had read all the material and it was fascinating. It was *very* interesting to me, because I did not know anything about gaming. I had never been involved in any kind of gaming. And that's how it all started.

Were you aware that there was another regulatory agency, the Control Board?

Yes, but I really didn't know how all that worked. Bryan told me about that, and Paul also told me about that. And, of course, I had read the statutes on how it was structured. But like everything else, that isn't how it works, you know.

[laughter] No. No.

[laughter] I mean, it works a lot differently. And then we just started from there. It was a fascinating, fascinating tenure.

How long did you serve on the Commission?

Well, let's see, I served three full terms, plus the partial term. I went on the Commission in August 1984.

And then you retired in 1997?

April 1997.

Almost thirteen years. Well, you served on the Commission longer than any other commissioner. What specifically motivated you to serve the State of Nevada for such a long period of time?

Well, number one, it was a very interesting time. It was fortuitous for me, because gaming was going through some huge changes. Every meeting was a fascinating experience from my perspective. I enjoyed working with the Board and with the Commission. The people that came before you, the attorneys and the business people, for the most part, were fine, fine people, and they were very knowledgeable; they were very skilled in what they did. It was an opportunity to meet some really wonderful, wonderful people who were highly successful in gaming. I don't think I ever went to a meeting that did not hold my interest. I just loved it. It was something that I really enjoyed doing. And as it turned out, I got to use a lot of my strengths in business, and that was really my perspective. I always looked at things from the businessman's side, of what he had to do to get a gaming license and to abide by all of the statutes and regulations of the Gaming Control Act. That was always my view. It was more of the humanistic business side rather than a purely regulatory side. I know you have to balance all those factors, but that's why they have a Board and a Commission. So I loved it. It was very good. And usually a commissioner serves two terms; that's the normal process that governors like, because they like to turn over the Commission, so that you have the institutional knowledge, which is valuable, but they also like fresh faces and fresh thoughts and fresh ideas. And I think that's a very good thing. When I had finished my full third term I was ready to go on and do something else. I figured I'd done all I could do with it. *[laughter]* It was time to move on.

Did you feel that as your length of service became longer and longer, you had to spend more and more time on the Gaming Commission business?

Oh, yes. Well, it was the nature of the beast. When I first went on the Commission when Paul [Bible] was chairman, our commission meetings never lasted more than three hours, and our agenda may have been eight or ten pages long. When I went off of the Commission, some of our meetings were two days, some three days, and some continued meetings from one week to another week, and the agendas were eighty and ninety pages long. It was almost a full-time job there at the end. But then, of course, that was when gaming was really booming and there were a lot of changes in gaming that all came together: the expansion of Las Vegas; the expansion of gaming in the state; and then the growth of gaming nationally and internationally. That all occurred simultaneously, and we were dealing with all of that stuff. It was not unusual to have a stack of material several thousand pages from one single application.

And the other thing was, they were much more complex, because we moved from, in effect, single proprietorship licensee or partnerships—with a very small number of people being licensed for a property, for example—to corporate licensing. All of the financial arrangements that those people would develop for their various entities was very complex. And it just took a lot to understand it. I know in our meetings many times we would require the applicant's counsel along with the applicants to explain to us just what it was they were trying to do before we ever even got to the application. For the last two years I was on the Commission, it was not unusual to have an applicant before us for several hours. And so it was just the nature of the change, the complexities of the change.

In reading about you I've found out that you were noted for your in-depth questioning and your knowledge of the applicants. Approximately how many hours a week or a month do you think you spent preparing for these lengthy meetings that sometimes lasted for couple of days?

Well, with the system that they used then—and I don't know whether they do now or not—the Board would hold their investigative hearings with an applicant, and then the commission meeting was three weeks later. The Board had their meeting the first of the month, the Commission had their meeting near the end of the month. So the Board would have to go through their interviews and then they would make a recommendation to the Commission. Well, along with that recommendation comes all of the material, and you usually had about two weeks to read that. And that became very difficult, because we would get those summaries and all of the supporting documentation and have two weeks to read it all, plus I would go back to the Board and say, "What do you mean by this?" When you were questioning the applicant, we could read the transcripts, but when you see them eye-to-eye there are a lot of dynamics in there. Those were the kinds of things that I wanted to know. But I would say that in that last term I'll bet I spent sixty hours a month on those applicants, exclusive of the meeting—sometimes more, occasionally less.

And you were working, of course, full time at Sierra Pacific Power in the meantime.

That's right. It was tough. Yes, it was really tough to do.

Some corporations or companies, businesses like that had to be lenient with the commission members, to allow them to get away from their real job.

Yes.

So Sierra Pacific must have been very accommodating.

They were very good with me. I was in the executive level of the company, and I had a job where I had to make sure I had all my ducks in a row to do things, but they pretty much let me do what I wanted to do. Of course, you have to be very careful about all of that, and it was kind of hairy to get it all done. In fact, now, I don't know how I did it.

[laughter] Maybe when we're younger we can do more.

I think that's right.

Well, what were your biggest concerns when you were on the Commission? I know in the earlier days they had to worry about unsavory elements or mafia connections or mob associations, but things like that kind of faded away during your era, didn't they, to a degree?

Well, the unsavory elements did fade away. There was still the problem of the Teamster loans. We had several properties that had Teamster loans. And one of the things that the entire gaming apparatus wanted to do—meaning the Board and the Commission and the legislature and the governor and everybody—we wanted to figure out some way to have a mechanism to get rid of those loans. And that took some doing, but that occurred on my watch. We got rid of the last Teamster loan in my second term, I think it was, and then we had all that behind us, and we could focus on corporate gaming and that sort of thing.

Yes, getting rid of the Teamsters cleaned up the whole gaming industry.

That's right. Yes.

In conjunction with that you may have possibly touched on this quite a bit already, but did the nature or the characteristics of the applicants that appeared before you change over the years that you worked on the Commission?

Oh, like night and day. The first few years I was on the Commission most of the people that you had in gaming were gambling people. And that's all they knew. As my terms evolved—my tenure on the Commission—I saw a definite change. At the end, they were guys in three-piece suits and vests and people with MBAs from Harvard and Yale and wherever and they were expert in finance. They had all these people who were specialists in corporate management, and it was no different than a bank. The only thing is, they had the expertise of somebody running a casino. And they were very highly educated. They understood the necessity. They understood a bottom line, and that's what they were focused on. And it was a very dramatic change. You still had some of the older folks, but those guys had begun hiring people with MBAs and people with degrees to do accounting and financing. They had their own legal staff, which most of them didn't have in those early days.

So you were really there during the bridge era, you might say, going from the individuals to the corporates.

Exactly. But we worked through that pretty well. That wasn't very difficult, because we had a good regulatory process and the Board did a very good job investigating who held what stock when investigating a corporate applicant, which, by the way, is much more complex than investigating a single applicant—one person or two people—especially the financing, because many of these corporations have parent corporations, they have subsidiaries, and you have to investigate all of that. It got very complicated. So all of that was going on.

But the big thing was when New Jersey allowed gaming and then all of the other states began to allow gaming, and later on the Indians got into it. And, you know, in Nevada we had a law where any gaming outside the state of Nevada was considered “foreign” gaming. That's what the statutes called it. Even though it was in another state, it was called foreign gaming. And our statutes and regulations did not allow a Nevada licensee to be involved in foreign gaming of any kind. So we had quite an extensive tug-o-war, and we all didn't agree—meaning between the Board and the Commission—as to how we were going to handle all of this. My view always from the very beginning was that if we're going to have gaming in this country, let's have somebody that we know running it, and we know our people. Let's allow them, because it was obvious that they were the people who were going to be running these properties. It didn't make any difference whether they were in Mississippi or New Jersey or wherever they were. And that philosophy prevailed. The legislature changed the regulations and the statutes to allow our licensees to participate in gaming in other states.

Now, the other states, in turn, wanted to protect themselves, because they didn't want the Nevada guys taking over their gaming. That was their mentality at the time. And so what they did is they passed laws that said, “OK, people in our state”—Mississippi or New Jersey or wherever—“have to own 51 percent of the corporation.” They had to be majority owners of any corporation in gaming. And so what we were doing then was not only dealing with our own people wanting to go, we were also having to deal with the new regulatory processes in all these states, because we wanted to make sure that the people that they approved were acceptable in Nevada as well. And that got to be kind of a tricky thing, because we had some problems in Louisiana and one other state, as I recall. They did things that we would not allow. And we had some dialogue with them and said, “Look, we won't approve it.” I can't remember who the applicant was. It was one of our licensees. They had to come to us to get approved. Whenever they went to another state, they had to get approval from the Commission, because we wanted to make sure that number one, the people they were working with did not have any negative affiliations or associations; and number two, the Nevada property was protected. We didn't want all of the money being siphoned out of Nevada to some other place, to build up their infrastructure for gaming. And so that was that was a big ball that we watched over. And that was very difficult for three or four years. We had some very difficult meetings with applicants, people that we knew in Nevada that were doing something in another state.

Corporations like Harrah's and MGM and Ramada.

Yes. It got pretty sticky. But we got over it and then it worked out fine, and they are very successful in the other properties. And then Indian gaming came. I got off of the Commission before the big movement in Indian gaming, but I was on the Commission during the preliminary discussions of how we would handle all of these kinds of things. And we had some very unsatisfactory problems with a couple of our licensees that were involved with Indian gaming. In fact, we forced a couple of them out of their participation with a couple of Indian tribes because it was not working. [laughter]

So anyway, with all of that, it was just, as I said earlier, so fortuitous to be there at that time. Those were the greatest changes that ever occurred in gaming, and I just happened to be one of the guys that was there.

[laughter] Well, it had to be an exciting time.

Oh, it was. And that's why it was so fascinating, because every meeting brought a whole new set of problems and great challenges and required a great of thought and work, and that was very, very interesting.

Did the Board and the Commission in your later years become more involved with technological advances in the industry? I know we were talking about financial changes. Did you get involved in the electronics or the technology?

Yes, we did. That's more in the purview of the Board, but, of course, the Commission was very concerned about that, because of the technological advances in gaming, and not only with the way money was handled. Slot machines are now just stand-alone computers, whereas when I started on the Commission, they were mechanical devices. They've made that transition. It was a huge challenge for the Board to keep up with those technological changes, and the whole system. The Board is responsible for the lab that does all the testing of that equipment, and they couldn't keep up. They had a heck of a time, because state agencies are very limited in their budgets, and getting top qualified technical people when everybody else wants them is really tough. But now they're up to speed. They're doing a good job. I was just talking with a licensee in Las Vegas the other day and they don't have any problems with the Nevada lab and getting their machines approved and so on, which can be a problem, because before they can put a machine on the floor, that machine has to be approved by the lab, all of the EPROMS and how it works and what the glass says so that it doesn't misrepresent anything, and that's very time consuming.

And then they have to have a trial period on the floor, too?

That's right. Well, getting to trial period . . .

. . . is tough.

Getting to that point, yes. And what happened was, you had this big boom in gaming and you had these manufacturing companies coming up with all this new stuff. And here again, it was just that in that big crunch time, the manufacturers were screaming because they couldn't get their games approved. They couldn't sell them, and the licensees couldn't get the games. *[laughter]* But that was just part of the process, and one of the things that we had to go through. And I think they've done a good job.

The Commission does have to rely on the Board mainly for the technology factor.

Oh, yes, that's right. Well, the Commission doesn't have any resources. The Board has all the resources to do the testing and to do all of the things that need to be done for those machines. And then they provide all those reports to the Commission. Many, many times it was not unusual for the Board to

bring a machine to the commission meeting and have the manufacturer explain how it all worked. Whenever we were approving a new game, that was standard operating procedure, because the Commissions that I was on said, "We want to *look* at the game." And it was not only slot machines, but there are all kinds of different pieces of equipment and new kinds of card games. We had a policy that we wanted to look at them, and they'd lay all this stuff out; it was very good. Then we understood what we were talking about.

You served on the Commission with three different chairmen. Were there any major differences in the way that the three chairmen performed their duties?

Yes, I'd say all three of them performed them differently. All three of them were attorneys. When I first went on the Commission, the Commission depended very heavily on the Board. In fact, the chairman of the Commission and the chairman of the Board would meet several times during the month to get everything squared away, so that when an item came before the Board, the Board was prepared to deal with it, and then when the Commission got it, the Commission was prepared. We knew what was going on, and the Board and the Commission worked very closely together. That worked very, very well. But then, of course, those were in the days when the complexities weren't as significant as they became later on.

When he was chairman, Paul [Bible] wanted everything done at a meeting, meaning that when something came before us he wanted it completed right then. He wanted to get it out of the way and cleared off the agenda so that we wouldn't have all of this stuff lagging behind. Well, in those days we could do that. Once in a while we'd have a large agenda item that required some follow-up work to be done, but not very often. And that's why our meetings were only three or four hours long at the most. We just cleared them out and it was an easy deal.

But as we began to move into it, John O'Reilly, who was just a top-notch, bright, bright guy, recognized that with all of the work and the changes that were occurring in gaming that we really needed to update all of our regulations. That's something that the Board and the Commission do. The Commission would say to the Board, "We want you to update this regulation," and a lot of times the Board didn't want to do that. And so we got into a kind of a rub there. But he [O'Reilly] was bound and determined that we were going to update all of these regulations and make them as definitive as we could to apply to the circumstances at that time, because in the early days we didn't know what was going to happen, or how this was all going to work out. When John came on we had a pretty good idea. And so we worked through those regulations, and there were many times when the Commission would be meeting at two o'clock in the morning going over regulations. That was not unusual; we did that many times. We would have sixteen-hour commission meetings sometimes, or a two-day commission meeting, and then we would begin to continue them. And so on the agenda you'd have not only new items but old items. But it was just the nature of the beast.

Who replaced Mr. O'Reilly?

Bill Curran, who was an attorney from Las Vegas. Bill was more interested in the governance issues, that's my view of it. He was more concerned that everyone had a fair opportunity to speak and he leaned more toward the applicant to give them every opportunity to do all of the things that they needed to present their case. And that took a long time in our meetings. Sometimes there was a reluctance to deny

an applicant. And if the Board had recommended denial, a lot of times when it got to the Commission there was some reluctance to that and we'd refer it back to the Board, and the Board would come back with new information, or sometimes the same information. And that just took longer, and so on.

But they were all very, very capable people—I think about that a lot—both the Board and the Commission. I got to know a lot of different ones because some of them only served four years or less. And gee, what wonderful people they were. They were all good solid thinkers and they had their own interests. And what we would always try to do is complement each other. If someone had a great deal of skill in the legal agreements—usually on the Commission we tried to have two attorneys, the chairman and another commissioner, and someone who had the ability to look at legal documents and kind of give the Commission guidance on how those went—then others would be skilled in other areas and it just worked. We complemented each other very well.

The character of the gaming regulators over the history of the organization has been fantastic.

Yes. It's amazing. Well, to me it's incredible how competent those people have been.

So the chairman does kind of set the tone of the Commission?

Oh, sure. Sure. Now, a lot of times commissioners don't agree with them. And a lot of times I didn't agree with the chairman or another commissioner. But you worked through that. And if the chairman knows my hot buttons, for example, when he is introducing an agenda item, or we're going through it, he'll make sure to address things that he thinks that I would be concerned about, or the other commissioners. They all did that, and they all did it very well. We didn't ever want to surprise our peers. We wanted everybody to understand where we were coming from. A lot of times there were some disagreements. And many, many times I would be on the short end of a four-one vote, or a three-two vote or something. But also many, many times I was on the long end of the three-two vote. That was more philosophical stuff. A good example is later on in my stay on the Commission, everybody got to be very sensitive about where slot machines were located, and maybe others have mentioned this to you.

You mean, as far as like laundromats and convenience stores or . . . ?

. . . and Longs drugstores and grocery stores and on and on and on. In my third term I think we had two hundred thousand slot machines out there somewhere licensed, and my view was it's a little bit late to be worrying where you're going to put a slot machine. As long as it wasn't in a place where there was a greater chance of violating a regulation or a state law, like minors gambling. I was not as sensitive to all of that as a couple of the commissioners were. We had one at a La Quinta Lodge over behind Wooster High School. You may know where that is. It's clear off in the back there on a freeway on-ramp.

Yes, I know where it is.

And they made an application for three slot machines. Well, of course, we have a regulation that says that you can't have slot machines within, I think it's one thousand feet of a school, or a church or whatever. And we soon realized that sometimes you have to look at that in a different way. If you're across a divided highway or a freeway you may be less than a thousand feet away, but there's no way that

there could ever be any problem.

Well, two of the guys from Las Vegas did not want those slot machines in La Quinta because it was close to a school, and I said, “Well, here’s what you do: when you come up here for your meeting”—we met in Carson—“before you go to Carson from the airport, just go over and look at that, and look at how it is in relation to the school and the streets and so on. There is no association with students at the La Quinta motor lodge—*none*. There’s nothing to attract students there. They’re going the other way to Longs, where they already *have* slot machines...” [laughter]

Yes. Right.

You know, across Plumb Lane. And I told them this in a meeting! I mean, we discussed all of this in the open meeting. I said, “You go look at that.” Well, they went and looked at it. They apparently had had some kind of a problem in Las Vegas, and they came back in the next meeting and they said, “We’re not going to approve that.” And then so we voted and it was a three-two vote. The chairman and the other commissioner voted no, and the rest of us voted yes. But that’s kind of how it goes. You try to work them out and then it’s done. You go on. You can’t belabor what’s behind you. [laughter]

Some former board members have commented that oftentimes the Commission was too easy on applicants. What is your opinion of that comment?

Well, in some cases I think that might be true. The big difference—and that’s the wisdom of the way our system is set up—is that is the Board [members] are 100 percent regulators. That’s their job. They don’t care about anything else. All they care about is whether this applicant or whatever the agenda item is meets the standard of the regulation. And they have a lot of flexibility in that, too, in just exactly what that standard is. The Commission, on the other hand, by design is made up of people who have a very broad background, who are looking at the state, who are looking at all of the issues that are involved in approving an applicant. And I know very often I would think, “Well, there’s a *reason* this guy has had a problem,” if you understand the business cycle and whatever it might be. If something came up with a limitation from the Board or a recommendation for denial, 99 percent of the time I went with the Board, because I would agree with them. I’m just kind of a hardliner guy. But there were times when I felt that the Board did not do a thorough investigation, that their minds had been preset before they started—and, you know, regulators do that.

Everyone does it. Yes.

We *all* do that. And I would say—and I said it on the record many, many times— “I just do not feel that there is enough evidence here for me to vote no on this guy. I’m not saying I wouldn’t vote no, but I don’t have enough information right now to say no to this guy.” Many of the other commissioners would do that, too. We would oftentimes take a much broader view than the Board would have. We had a Board one time that was really tough. Really tough. In fact, [Gerald] Cunningham and I would argue all the time, because Gerry was one of those guys that was the letter of the law; there was no flexibility. He didn’t look at the problems that a guy was going to have in this business or problems that he may have had earlier, that to my point of view, and to some of the other commissioners most of the time, were reasonable. And in those cases we didn’t go along with the Board. So we had that kind of a rub once in a

while, but not very often.

I think that the Commission was objective. They tried to be objective. We'd talk about all of these fancy applications, these big applications for the Hiltons and the Harrah's and the like, and those are not the tough ones. The tough one is little Sarah Jones who had her work card jerked by the Board because of some reason—theft or whatever reason—and there's a process you go through. They have to come to the Commission to get their card back. A lot of times the Board would recommend "no" and we would overrule the Board. And when we overruled the Board, it had to be a unanimous vote. There were many, many times we had disagreements there. The reverse of that is many times I would vote "no" when they'd make a recommendation, because I told everybody in the beginning, "If an employee steals from his employer, he's done for me. I don't care if it's twenty-five cents out of a coin hopper, he's done, because there's no way that you'll ever know how many times he's done it before." And if a person has that propensity, that was it for me. Many, many times I would vote "no" and the rest of the Commission would vote yes. That was just one of my things. Having been in business, I know how important that is. [laughter] And you have employees that have stolen.

And other commissioners are the other way, of course.

I mean, we all understood that. But that was an area where I think the Board and the Commission had major disagreements. I don't know very often that we had any really serious disagreements on major applications. We always worked that out.

As a rule of thumb, how would you describe your relationship individually? Was it pretty good with the board members as a whole?

Yes. I didn't ever have any problems with any of the board members. The only problem that I would have is that some of the board members were lifetime government employees. They were bureaucrats, and they knew how to work the system. And a lot of times I felt they were working the system to the disadvantage of gaming. It was nothing personal with anybody. As I said, they were all really fine, fine people, and I had no arguments with that. Generally I got along with everybody. We didn't have any problem.

During your tenure more than two dozen people were entered in the List of Excluded Persons, commonly known as the "Black Book." Would you tell us your feelings regarding the "Black Book?"

Well, in its day the "Black Book" was a very important document, because you were dealing with unsavory type characters. That was in the days of Meyer Lansky and all those guys here, and the "Black Book" served a purpose. But as we moved into the new area of gaming where we had all these corporate licensees and all, the "Black Book" was really not that big a deal, because these companies policed their properties to protect themselves anyway. I think the "Black Book" may be helpful to them, but I don't know really how much value there is in the "Black Book" now. I really don't know. I don't know that anybody ever uses it, other than it's a regulation and a statute that's been on the books for so long.

So basically you're saying the "Black Book" probably was a useful tool years ago but as the years go by it becomes less and less . . .

That's exactly right. Yes. I think it's outlived its usefulness.

In July of 1985, Carma, the Canadian corporation, was licensed to operate the Bourbon Street Hotel-Casino. Would you tell us the historical significance of that licensing?

Well, that was the first foreign gaming license. I guess it had some historical significance, but it was no big deal.

It was kind of a door opener, I guess.

Yes, it was. But as far as Carma itself, they went through the process; they were very good at what they did. They had the right people before us, and they were very forthright in what they did, they proved their case, and they were just another applicant.

You didn't look at them like a Canadian corporation, did you?

No. It was no big deal. As long as they were up to snuff—met our standards—it was fine.

In October of 1985 the Hilton Hotel Corporation was licensed to operate a casino in Australia. Would you tell us the historical significance of that licensing?

Well, that was one of the first ones that I had mentioned earlier, where one of our own licensees was licensed to do business in another country. It could have been another state; it would have been the same thing. And that was one specifically that we were *very* careful about. The Commission and the Board really wanted to know about the people in Australia, because the information we had had was that Australia was not as stringent. They did business in a different way than we did in Nevada. We really wanted to make sure that we didn't have any unsavory or unfavorable associations there, and we wanted everything documented, and we wanted the Hilton to understand how we wanted them to run their business in relation to the property in Australia. That was an extensive hearing as well, but it worked out.

So you set a lot of conditions on that licensing in Australia.

That's right. And that's the great thing, the great wisdom about Nevada. You could condition licenses, you could limit licenses, you could do a lot of things to keep control of that, or keep watch on a licensee. You knew he had to come back to get either the condition removed or the limitation removed. Because, you see, Nevada's unique, and once you come before us, and the Commission says, "Yes, you're approved," we never see you again, whereas other states have limitations: one year, two years, three years. You've got to come back and renew your license all the time. In Nevada, we don't have that. But by limiting and putting those conditions, then they had to come back for either specific purposes or general purposes. If a guy might have had some problems, then we'd say, "Well, let's limit this license for two years." Have him come back and see how he's doing. And then we'd either remove the limitation or we'd limit him for another year or we'd take his license away from him. That was the great thing.

A lot of people don't realize the flexibility that the Board and the Commission have. It's a

wonderful system that we have now. And after having had some experiences with other gaming regulatory authorities since I've been off of the Commission, ours is just so, *so* far superior, but, of course, we've been at it much longer, too.

It's been copied a lot, too, in other areas.

Yes. That's right.

Another historic license application came before the Commission in 1986 when Ginji Yasuda applied for a license to purchase the Aladdin Hotel-Casino. Would you tell us your memories of that?

That was a very difficult application. That was one of the first applications where we spent hours and hours and hours on it. And we had as difficult a time as Yasuda's people did because of the cultural differences. That was the first one we had ever really run into.

He's from Japan, right?

Yes. That application was very, very difficult. We wanted to really make sure that he knew what he was getting into, because at the time there were many, many people from Japan and from Korea who were really interested in getting in gaming, because they came to gamble and they liked it, and they were very wealthy and they thought, "Well, I'll have my own casino." They didn't understand the regulatory process and the things that you have to do, how you have to toe the mark, because the Japanese culture is just totally different and it's very secretive and closed. We couldn't get information, and we would argue back and forth with them about, you know, "Well, you can't have that." And we said, "Oh, yes, we can have that." And that was where the difficulty was. But we finally got him approved, and I believe we limited him on his first license, if I recall correctly. I may be mistaken there, because you never would know.

At one point he said that I was discriminating against him.

He said that to you himself?

I had asked him a question, and he didn't like the question, and he told the interpreter that I was discriminating. And then we had to have a little discussion about that, because, of course, I wasn't discriminating against him [laughter]; I just needed an answer to a question.

[laughter] Yes. Yes.

But he didn't want to answer it. And it was one of those things where he could have answered it. He could have answered it himself, but he did not want to do that. He did everything through an interpreter.

So he could speak English?

He could speak some English. You'd ask him a question, and he knew exactly what the question

was, because he'd start answering it before the interpreter would ask him the question in Japanese.
[laughter]

Oh. [laughter]

But it worked out. It worked out for us OK, but not for him.

So how was his success rate as a casino operator?

His success wasn't good. [laughter] No.

So basically the Aladdin went bankrupt, went under, during his time.

That's right. But then, too, that was when the big change started in Las Vegas where people were migrating from the old stand-bys, the Aladdins and the Trop and the Desert Inn, and they were moving to all these fancy new places that Steve Wynn and the likes had built.

Yes, the whole demographics in town moved.

Everything just changed. And you really had to be on your toes and understand what was happening to stay in business if you had one of those older properties. Most of them did. Most of them did well. Some of them didn't. That [the Aladdin] was one of them.

Yes. In February of 1989, the Commission met to take action on the application of the Sands Hotel. And by the way, former governor Bob List represented the Sands. And the Gaming Control Board recommended approval for everyone associated with the application except Henri Lewin. Would you tell us about the events and the results of that hearing?

Well, that was a very difficult hearing. The owner of the Sands had entrusted Lewin to do a lot of work for him over the years.

That was Mr. Adelson?

Yes. And the gaming regulators had a big problem with Henri Lewin. When I think about that now, I think it was more because he just wasn't forthright with us. That was a very difficult hearing. We just didn't want that association. I believe we did license him, but we put a bunch of conditions on his licensure.

Well, sometime during the commission hearing Mr. Adelson did state that the project would not succeed and that he would not go forward unless Lewin was licensed. Of course, as you say, Lewin was licensed. Do you know how successful their operation was, their relationship? Did they work together for years?

It was my understanding that they did work together for many, many years, or they had known each other for many, many years in the business. And I'm sure that Adelson saying that was sincere, but I

think it was more intended to tell us how important it was to get Lewin licensed. Later on in that operation, that all ended. I don't know what happened, but they separated and each went their own way. But that's not unusual.

Well, Adelson himself was successful at the Sands, wasn't he?

Yes.

Of course, now he's in the Venetian, so I guess he did well at the Sands.

He did very well.

Well, here's an interesting case, in February of 1989, the Commission held special hearing on the Board's complaints against Ralph Engelstad, owner of the Imperial Palace. Would you give us a little background on Mr. Engelstad and tell us some of the events that led up to that special hearing?

[laughter] Well, for years, I guess, Mr. Engelstad had German parties, and he made a big deal out of it. Engelstad apparently had warehouse after warehouse after warehouse full of German memorabilia. He had automobiles, he had uniforms, he had thousands and thousands and thousands of items . . .

From the Hitler Nazi era.

. . . from the Hitler Nazi era. And he would throw these big parties, and he'd bring out all of this memorabilia, and he'd have it set up like a museum and have a big party. Well, that offended some people in Las Vegas, and they brought pressure to bear on the Board, and probably on the governor. I don't know where it came from. But it wound up in a complaint against Engelstad with over a million-dollar fine, I believe it was. There was a lot of debate over whether to take his license away from him or whether just to fine him. And it was finally decided that they would fine him. I got all of this secondhand.

But anyway, that was kind of a smelly deal in my view and, I think, in the view of a lot of commissioners and board members. I don't think they wanted to deal with it. That isn't the kind of a thing that regulators do. I thought the Commission had no business being involved in that kind of a thing. Sure, Engelstad used very poor judgment in what he did and kind of flaunted it in the community, which is what I think really created problems for him. And I think I said that in a meeting: that he used very, very poor judgment, but I did not agree that that was the forum to deal with that kind of a problem, and I did not feel that he should have been fined over a million dollars. And that's how it went.

What did they use for a basis—that we didn't want those kinds of people in the gaming business?

There's language in the regulations that actions that reflect negatively on gaming are cause for suspending of a license or disciplinary actions and that kind of a thing. That was what was used in the complaint. And Engelstad agreed to it. That was the amazing thing, was that Engelstad and his attorneys agreed to it. Much, much later I was talking to their attorney about that. We just happened to have a visit about that, and I said, "I could never figure out why you guys didn't contest that thing."

And they said, "Well, we thought that politically it was foolish to do so." That's why they didn't

do it.

And I told him, “Well, you sure put us in a really bad spot, by just rolling over and saying, ‘OK, fine us a million and a half dollars, whatever it was, and we’ll pay the fine and get on with our business.’” But that was not the forum for that kind of a thing to occur.

Or possibly they wanted to get out of the public’s eye, and they were afraid if they’d appealed it, it would just be in the public’s eye that much more.

Well, it shouldn’t have gotten any more publicity than it did. That place was packed for both the board meeting and the commission meeting. In fact, they had to move it to a bigger place for both the board meeting and the commission meeting. That was one of the most distasteful items I think I’ve ever dealt with on the Commission—not that I don’t agree that what he did was really stupid, but I just think we handled it very poorly. We had no business doing that. The guy’s a good operator, he’s never in any trouble, ran a good place, and never had any violations.

Did you vote against a 1.5 million-dollar fine then?

Yes, I did vote against that. It was a great concern to me because I was afraid that if I did vote against it that some of the other commissioners would go with me. And so there was a lot of qualifying. But as it turned out, the bulk of the people on the Commission are from Las Vegas. There were only two other commissioners from the north at that time. But it was one that I did not like. It’s just not a good thing.

Do you feel that it would have been proper to levy a smaller fine and allow it to operate, or do you feel that it should have been closed?

Well, I don’t think it should have been there in the first place. I don’t think that the regulatory apparatus was the place for that. If somebody had a complaint or a problem, they should have taken him to civil court and filed charges against him that they felt were appropriate, and had a trial. But they chose not to do that. And I always had the impression that that started at the governor’s office and with the legislature. I think there was a lot of pressure on those people to do something about that and that’s where it came from.

Who was the governor then?

It was Miller. But it’s just one of the things you deal with.

Over your many years on the Commission, are there any decisions or votes or actions that you made that you would change if you had the opportunity?

No. Well, as I said, that one was very, very distasteful. And there were many that were difficult, but, you know, that’s what you were there for.

Yes, if they were easy, anybody could do it.

Yes, that's right. And there are many cases where hindsight is always 20/20. There was a guy in Las Vegas that had a property that was always in trouble with the Commission and the Board. And we had him before us. In fact, he was on the agenda of the first meeting I ever sat on.

What was his name?

Oh, I can't remember his name. And he was on the agenda at the end of my second term for the same thing.

Oh, yes? [laughter]

And he just kept dancing around. He could always just skirt around everything. And finally, one of us on the Commission said, "Enough is enough. We're done with this guy." The Board wanted to get rid of him, but I don't think they were quite sure how the Commission was going to take it.

[laughter]

And finally, [laughter] we just got worn down, and that was one where we should have nipped that right in the bud in the beginning.

So that was Joe Slyman?

Yes, yes. Joe Slyman—he was the man. He was on our agenda two or three times a year for some problem.

One thing or another.

Yes. And finally, we just said, "That's it," and we shut him down.

You revoked his license.

Yes. Yes.

Took it away from him.

But other than that, as I say, going in you've got to understand that there are going to be some really difficult things to do. And if you're thoughtful about them, a lot of times you think, "Gee, I'd like to have that vote back," but if it's a unanimous vote and you had the vote back, what good would that do?

Yes, it would still be four-to-one, right? [laughter]

It wouldn't do you any good. But, as I said, we all tried to be attentive to the other people.

Well, I imagine, too, if someone gets licensed that shouldn't be licensed, he's usually kicked out of there one way or another anyhow. He either has bad business practices and he goes bankrupt or he does something illegal and he's put out somewhere down the road.

And that's true. You know, I don't know that we ever licensed anybody that shouldn't have been licensed. I mean, everybody has to have the opportunity—as long as they meet the standards, they have no negative associations, their investment dollars are from places that are acceptable, they run a clean business, they don't break any laws, and they uphold the regulations of the state, you have to give them a shot. The problem is a lot of times that some of those people didn't really understand how difficult it is in that business.

Some of them shouldn't have been there.

Yes, they shouldn't have been in the gaming business; they should have been in some other kind of a business. But I don't know that's there's any decision that we did that we'd want to turn over.

You mentioned earlier all the interesting people that you've met and come in contact with over the years. Are there any one, two, or three of them that would stand out in your mind as unforgettable characters?

Well, for unforgettable characters, one guy was "Si" Redd.

[laughter]

Si Redd was quite a guy. He was quite a man. I mean, he had nothing, and he built himself quite an empire.

And he was a salesman, too, right?

In his own way. He was quite an exceptional guy. And, of course, Steve Wynn is just truly a remarkable person. He changed gaming in Nevada.

You would go so far as to say that he put a whole new face on gaming?

Oh, yes. His properties were totally different than anybody else's, and they were more attentive to a customer's needs, with all of the accoutrements. You know, gaming is gaming, but the hotel rooms and how they're laid out and how the casinos looked—they had palm trees and waterfalls in the casino. Nobody ever had that before. And Steve started all of that. He is truly a leader in the industry.

I've read that Bill Harrah was someone that he looked up to, and he wanted to pattern himself after Bill Harrah . . .

Yes.

. . . . and, of course, go even further.

And he did. But, you see, the guys like Bill Harrah and those people early on, they just had fancier places than others. In other words, they had nice thick carpets and they had really good food and all that. Well, now all of them have that. When Steve Wynn came along, he did more. He took it to that next step. He had all of the wonderful swimming pools and spas and all of the things that would make a total package for someone to come and gamble in his place, and really marketed to the high rollers and gave them all of the comforts that he possibly could. He had special suites and extravagance.

So other properties had to play catch-up with him.

That's exactly right. And they're all doing the same thing now. The other guy that was really something was the guy at the Horseshoe, Ted Binion.

Now, that's "Benny" Binion's son?

Yes. The kids were all in a big fight over that. We had revoked or suspended his license because of drug use, and he would have to come back before us again, as I mentioned we'd allowed them to do, to try to get his license back. We went the rounds with that guy for hours and hours and hours, and he was always one step ahead in those days of how they could detect drugs. We required him to get a complete physical examination every month, or every quarter. I can't remember. Anyway, he goes in one time, and he's got all the hair shaved off of his body, because they were checking hair.

Yes. [laughter]

That was how they checked hair. [laughter] And so we were going through this all in a meeting one day, and we're in this big argument—a big, heavy discussion—and are about ready to deny him again, when he gets up and walks out of the room. I mean, he's sitting in the witness chair and he just gets up and walks out of the room! [laughter] And so we're all sitting there—I think John O'Reilly was the chairman—and John was just aghast! He didn't say a word, and Binion just walks right out of the hearing room and he's gone for about ten minutes, and we're all just sitting there waiting for him.

Pretty soon here he comes back, and the chairman said, "What's your problem?"

He says, "I had to go to the bathroom." [laughter]

But he didn't ask permission?

[laughter] He was really something else, that guy.

Getting back to Engelstad, he was an OK kind of a guy?

Well, I didn't know him very well. He'd never appeared before us at any great length at all, but he seemed fine. Whenever I had met him he was always courteous and polite and didn't seem askew at all.

Earlier you showed me a picture of the agenda for a fellow named Ainsworth—Len Ainsworth? He was

an Australian slot machine manufacturer, is that right?

Right. Right.

In this picture you're holding a group of binders that appears to be at least four feet tall.

That's right. [laughter]

Would you tell us about that picture and about Ainsworth and what created all that paperwork?

Well, Ainsworth's company wanted to be licensed in Nevada as a slot manufacturer. And as I had mentioned to you earlier, Australia does things a lot differently in their gaming regulatory apparatus than we do in Nevada. Many things that they do over there would not be acceptable in Nevada. Australia is a very heavily unionized country, and the government is unionized. There are all these different unions, and the unions really drive the economy in Australia to a great extent. And to us it was like going back forty years.

A lot of the people that Ainsworth was associated with, and the way he made his deals and sales and so on, were not acceptable to the Nevada regulators, and many of the people that worked in his company were not acceptable in Nevada, either. And we had told him, "You have to change your way of doing business; you can't do business that way in Nevada, and you can't have these people in your company. If you want to resubmit an application to us, and all of these things are cleaned up, we would accept your application, but we cannot accept your application the way you have it now." That application went on for over a year before we finally said, "No, we won't approve Ainsworth."

Oh, he never got licensed?

He never got approved. We sent it back to the Board to give him an opportunity to clean it up and it never, ever came back.

What was the name of his slot machine company? Was that the Aristocrat?

Yes.

What actions or accomplishments while you were on the Commission are you most proud of?

Well, as I mentioned to you earlier, the fact that I was involved in the implementation part of corporate gaming, the licensure of corporate gaming in Nevada, and also involved in that transition from gaming only in Nevada to gaming throughout the United States and worldwide, having our licensees involved in that, and having that work as well as it did. It was really, really something special to be a part of all that. And not many folks ever get that kind of an opportunity—to see all of that, to be a part of everything that has transpired in that ten years. That was a dramatic change in gaming and in the gaming industry.

And you played a major role in the regulation of that.

I'm very proud to have been a part of that.

When did you resign from the Commission?

Well, I didn't resign. When your term is up you're replaced, or you're reappointed at the pleasure of the governor. At the end of that third term I was pretty much figuring I was done, and I had made no advances to anybody saying, "Well, I would be interested in doing it again." So that was when the governor appointed a new person in my place.

Did the governors oftentimes appoint a democrat or republican depending on their party affiliation?

No! There's a requirement. There's a statutory requirement. You cannot have more than three members of the Commission of the same party. So you've always got to have three Democrats and two Republicans or three Republicans and two Democrats.

Who replaced you on the Commission?

Sue Wagner.

What are you doing now, Bob? Are you involved with the gaming industry in any way?

Yes, I am, as a matter of fact. [laughter] When the Commission got into corporate gaming, if there was any kind of a feeling of uncertainty or you were unsure about how they might do things, the Commission would require the licensee to establish a compliance committee. We called it an "oversight committee" in those days. And that oversight committee would be responsible for making sure that they adhered to all of the regulations. They had to submit to the Board who the members of that oversight committee were and so on and so forth. We did that for a few licensees. Well, that worked out pretty well, and then the Board adopted regulations where every publicly-held corporation was required to have a compliance committee. And on that compliance committee they had to have a compliance officer; they had to have a chairman; they could have any number of members they wanted, but one member had to be an independent, outside member and someone who was familiar with the gaming regulatory process and so on. And I always laughed at that. I always said, "Well, the Control Board is making jobs for themselves when they get through with their work."

[laughter]

Well, lo and behold, I had an attorney from Las Vegas call me and say, "Hey, how would you like to be on a compliance committee?"

I thought that over and thought, "Gee, I'd like to do that, because I'd like to stay involved." And the long and short of it is that now I'm on the compliance committee of the Hard Rock Hotel, I'm on the compliance committee of the Venetian, and I'm on the compliance committee at Konami Gaming, which is a slot manufacturing company. They're all in Las Vegas, and it's very interesting.

I imagine.

It's very interesting seeing it from the other side. You're required to have quarterly meetings. And, as a matter of fact, I've had to cancel a couple of our interviews because I had to attend those meetings. I was down there last week. I'm down there day after tomorrow. And it's really, really interesting.

Mr. Adelson is still with the Venetian, right?

Oh, yes.

That is kind of interesting. He appeared before you as a commissioner ten, fifteen years ago and here you are on that committee.

Of course, I never see him. But the Venetian is now the largest hotel in the world.

Oh, is that right?

Yes. I have had security guys tell me that they have eighty-two thousand people a day go through the Venetian Hotel. And now they're getting ready to build a multi-billion-dollar property on Macao.

Oh, is that right?

Yes, they're doing very, very well.

Is there anything else you would like to add to this interview?

No, you got it, Dwayne. That was fun.

Thank you very much for your time.

ARTHUR MARSHALL



Arthur Marshall was born in Cleveland, Ohio in 1929. After attending Kent State University, Cleveland College, and John Marshall Law School, he moved permanently to Las Vegas with his family in 1959. There, he co-founded Marshall Rousso, now Marshall Retail Group, or MRG, a privately owned retail apparel chain in the Western United States, and served as its President from 1959 to 1988. He was appointed to the Nevada Gaming Commission in 1997 by Governor Bob Miller, and reappointed twice by Governor Kenny Guinn. After serving for twelve years, he stepped down in 2009. Marshall also served as a Director of Western Alliance Bancorporation and Chairman of the Board of Bank of Nevada. He was instrumental in the formation of the Nevada office of the Anti-Defamation League.

Art Marshall, ca. 2002. Photo courtesy of Art Marshall.

Dwayne Kling: Good afternoon. This is Dwayne Kling. It's May 13, 2004. I'm with Art Marshall in his office in Las Vegas, Nevada.

Mr. Marshall, does the Oral History Program of the University of Nevada have your permission to make available to the public the tapes and the transcripts of the oral history interviews that we are about to begin today?

Arthur Marshall: Yes, it does.

Thank you. Art, let's start out by asking when and where were you born?

I was born in Cleveland, Ohio, on September 4, 1929.

What college or university did you attend?

I attended Kent State University in Kent, Ohio, and I attended Cleveland College, which was part of Western Reserve in Cleveland. And I started John Marshall Law School, but never got very far.

When did you come to Nevada?

We came to Nevada initially in 1956. We were here for a short period of time, maybe somewhere under six months, and went back to Cleveland, then returned to Nevada in 1959 and have been here ever since.

What precipitated your move to Nevada?

My wife's family lived here. They had a small dress shop on the Strip called Sara's of Las Vegas, and my father-in-law prevailed and convinced me to give up a job in Cleveland and to move west, that this was where all good things were going to happen.

So did you go into business with your father-in-law, or did you start your own business?

We were in business together for a short time. He had three daughters. One daughter already lived here. Her husband was a chiropractor. There was my wife, the daughter that lived in Cleveland, and there was a daughter and her husband, who lived in Los Angeles. His name was Herbert Rousso. My father-in-law was a guy who wanted family to be around him, so he convinced Herbert Rousso to come and join this little store, and he retired and gave the two of us the opportunity to run this little business.

That was the ideal situation for everyone, then.

It was a great situation.

Would you relate to us some of the organizations and institutions that you've been associated with during your time in Nevada?

Well, let's see, I was president of the merchants bureau of the Chamber of Commerce; I'm the past president of Temple Beth Shalom, which was in its time the major and probably only Jewish community temple in Las Vegas at the time; I'm the past president of the Jewish Federation of Las Vegas; I'm the past chairman of the State of Israel bonds campaign; I was a board member of the Las Vegas Chamber of Commerce; I served as a board member of the State of Nevada Public Employee Retirement Fund. Those are the major ones.

Yes, that's quite an impressive list. You didn't mention anything about politics. Were you ever involved in politics in Nevada? Did you ever run for any offices?

No, I've never run for any office.

When were you appointed to the Nevada Gaming Commission?

On April 28th of 1997.

Who did you replace on the Commission?

I replaced Bill Urga, and I was appointed by Governor Bob Miller.

Had you known the governor prior to his appointment?

Yes, I knew the governor for some time.

He was the district attorney, wasn't he?

He was district attorney, and our paths crossed numerous times.

Did you ever have any experience in the gaming business prior to your appointment?

None whatsoever.

During your time on the Commission, were you ever pressured by the governor or anyone in administration in regards to commission business?

Never once.

Why did you feel that it was important that you accept an appointment to the Commission?

Well, I was very flattered. I think the Commission is considered the most important body of its type in the state, and I was interested. I had been related to the gaming business in our dress shops over the years and had a lot of familiarity with that side of the town, so to speak, and I thought it would be interesting. I thought there was something that I could contribute, and I was very pleased to be appointed.

You have dress stores in various Strip casino locations?

That was the company that my brother-in-law and I took over from our father-in-law. We had a small store called Sara's of Las Vegas. We opened a second and a third Sara's, and then we were able to get the hotel dress shop at the Sahara Hotel, and from there we went from the Sahara to the Sands, and eventually we were in most of the hotels in Las Vegas. Some years later I kind of retired from the business. My partner, Herb Rousso, wanted to retire, so I bought him out of the business and turned it over to my son. And my daughter had an interest. My son ran and had the major share of business, and I just decided that it was time for me to do other things. And I got involved in banking.

What are the names of your stores now?

Originally the stores were called Sara's of Las Vegas, and we then opened into the hotels, and eventually they translated into the name of Marshall-Rousso. That's what many of them are called today. It's no longer a Marshall-Rousso company; it's now called Marshall Retail. Marshall Retail group is the parent company, but there are a lot of Marshall-Rousso stores in the hotels. Some of them have individual names and individual identifications, but most of the stores are known as Marshall-Rousso.

So you must have had like thirty or more stores?

No, at the time I turned the business over to my son, we had eight stores. He now has somewhere in the forty, fifty range.

To get back to being a commission member, it requires many hours of work and frequent trips to Carson City for meetings. With all these hardships, why were you willing to accept a second term as commissioner?

First of all, I thought it was a privilege to continue to serve. Second of all, I thought you get better—the longer you're there the better you get at doing it—and I really enjoyed the job. I don't mind the travel or the time.

"Enjoy" is a key word because I've talked to some other commission members. They said it was fun and it was exciting, the job of a commissioner member. So you enjoyed it?

Yes. Yes. You can participate in doing things that you think are important to the industry and the state, and you get to learn an awful lot.

And you meet enjoyable people.

And you meet people of all sizes and shapes. [laughter] Some are very colorful, and some of them are very interesting.

Would you accept the third term if it were offered?

I would if it were offered. Of course, that's the governor's choice.

Yes. And hasn't he stated that he would prefer to get some new members on the Commission?

I'm not quite sure of that. I think he made that statement. I don't think he was talking about the Gaming Commission; I think he was talking in regards to something else. But after making that statement, he did re-appoint Commissioner Gurrola for a third term.

Oh, he did?

Yes.

How many hours a week or a month do you spend on commission business, counting your meetings and readings?

It varies depending on the load of applicants. I would guesstimate that we're probably spending, plus the meeting day, somewhere around twenty hours a month, maybe twenty-five.

Do you spend more time or less time now than you did when you first became a commission member? Are you more familiar with the operations and is it easier now?

It's hard to answer that, because initially we had a different type of situation. When Bill Curran was chairman, we went over every single application at the meeting, and so the meetings were considerably longer. Brian Sandoval came in and decided to take advantage of an item called a "consent agenda," which is something I guess that they do at the legislature, and we no longer have eight and ten and twelve-hour meeting days.

And exactly what is a "consent agenda?"

A "consent agenda" would mean that the commissioners have read all of the applications and they've come to a certain number of them where they have no objection to the recommendation by the Gaming Control Board. And because none of the commissioners feel that they need any additional conversation or discussion on those items, they are put on the consent agenda. So what happens is that they've got the transcript of the hearings in front of the Control Board, and those are listed in the numerical sequence—those that aren't pulled out of consent—and you maybe will pass ten or twelve or fifteen at a time, and they're just consented to.

And that means you have no questions either, of any of the people?

We have no questions, right. But when our papers come every month, we are given a form in which we can request anyone to appear. In other words, if any commissioner has a reason to want to discuss something, then that item is not on the consent agenda, and we just advise Marilyn Eppling, who is our secretary, and/or the chairman. The chairman generally calls each of us. In fact, he *always* calls each of us prior to the meeting, several days or a week before the meeting, to discuss whether we share the feeling of who should or should not be on the consent agenda.

So you have a new chairman, of course, now. Since Mr. Sandoval left, you have Mr. Pete Bernhard. Does he use the consent system, also?

He used the consent agenda as well. Yes, he does. But don't misunderstand. We do not automatically put everything on the consent agenda. If there's any issue at all that we think needs further discussion with the applicant, it's not on the consent agenda. There are many types of applications. For example, you'll get some that are perfunctory; somebody that's been licensed two or three times,

someone that has a convenience store and this is the second or third time they've appeared before licensing, there's never been an issue with them, there's no reason for us to even bring them forward to the commission hearing, and many times their appearances are waived by the chairman so that they're spared the expense of coming to Carson City or Las Vegas if they live in rural Nevada.

It seems a logical way of doing it when there aren't questions of anyone and the Board has pretty much given it 100 percent OK.

It is a logical way to do it. It's not meant to indicate in any way that the Commission just automatically rubber stamps the Board. That doesn't happen. I can assure you that does not happen. We are an independent body, and we are the final deciders of all of these issues, and you're certainly familiar with the fact that we can reverse any decision that the Board makes.

Would you tell us how you feel the philosophy of the board members and the philosophy of the commission members differ, if you do feel that there is a difference? I don't know if you've ever heard this quote by Shannon Bybee. He was often quoted as saying, "The Board dispenses justice, and the Commission dispenses mercy."

I couldn't say it better. [laughter] The Board has a different task: their task is to do the investigation; their task is to ferret into the history of the applicant. They have to look at it very carefully and the Board comes from a different make-up. We have people on the Board that come out of the police or the area of law enforcement who have their own view based on their own experience on issues. The Commission is comprised of people from—well, we have a lawyer, we have a former legislator, a lieutenant governor, we have Radha Chanderraj who is a CPA, and now just graduated and passed the bar. I'm a businessman. So we come from different walks of life than the Board, who are full-time employees. I would say Shannon Bybee just couldn't have said it better.

[laughter]

Well, we've mentioned some of the differences. What philosophies of the Board and the Commission are the same?

I don't think there's a real major difference between the philosophies of the Board and the Commission. The idea is to make Nevada gaming honest, to keep it at the reputation that it has. We're there to help the state and protect the state and protect the industry. I don't really see a great difference. We may approach things differently, but we're working towards the same end. We see some things a little differently than they do, and we don't necessarily always agree on issues. We see them differently.

Well, over the years there have been good relationships and bad relationships between the Board and the Commission. How do you feel the relationship has been between the Board and Commission during your tenure?

I'd say it's good. I must say in the seven years I've been on the Commission I've never seen an area of a real major problem. I've seen some divisions on certain issues, but they were the kind of divisions that were meant with great integrity, and afterwards we could go out and have a cup of coffee. I

don't think there are any personal or personality problems.

Do you feel it's very important that the Commission works with the Board and not disagree, at least in public? There have been some instances in years past where there have been disagreements in public. What's your feeling on that?

That's a good question. I don't know actually how I want to answer that. [laughter] I think part of the democratic system of debate is that sometimes you may have to flush out a matter that you don't agree on in public. I believe it has to be done with courtesy and the spirit of trying to do better for everybody involved. I've never seen it get personal. There are issues we don't agree on, and haven't agreed on, and we're better for it.

Some people have complained that the application process is too lengthy. What is your feeling on that?

I think we've got a good system, and I don't think we should tinker with it.

It's worked for many years.

It's worked for many years. I think we're considered the granddaddy of all regulatory systems, and I think it works well. I don't think it's broken. I don't think we have to fix it.

Do you feel that the gaming industry is or was in danger of being overregulated? I think you've probably answered that in your last statement.

No. No, I don't.

You've served with three different chairmen during your time on the Board, and you mentioned them all earlier. Do you feel that the Commission's actions were any different under the different chairmen?

Yes, under Bill Curran we examined every single application, and to be honest with you, I enjoyed that. I thought it was important. Under Brian Sandoval, he brought his experience in the legislature and did more of a consent agenda item, and I got to appreciate that as well. So it was a question of learning a new way. Peter Bernhard is closer to a mix between Curran and Sandoval. Peter, I think, delves very carefully into every application, and I'm very pleased with that. I've had the good fortune of three great chairmen, and they've become three very good friends. I value each of them appropriately. I think Bill Curran was a great teacher and a great friend. Sandoval is a young man who I have the absolutely highest regard for. My family and I sponsored him for the attorney general. I can't think of a better guy for the job. I think his future is way ahead of him. I think Brian's a high-integrity, great young man. He will be whatever he wants to be in this country, and Peter Bernhard is a jurist. I watch Peter Bernhard, and I listen to how he runs a meeting and I think to myself, "Boy, there's a guy that should sit on the federal bench." He's just that good.

That talented.

He's just that good.

Well, that's quite a compliment for all three of them.

It's a blessing because they were all very close friends, and they treat the members of the Commission as equals. We've not had the experience of a chairman who overrides us. They've just been marvelous. They've made the difference.

So they don't dominate.

No. No, they're partners—absolutely partners.

Well, the state of Nevada is fortunate, too, to have had so many good commissioners and chairmen.

I agree. I agree. Bill [Curran] taught me you don't give a ticket and a lecture. [laughter] If you're going to send the guy to jail, don't give him a lecture. [laughter] He doesn't want to hear it.

[laughter]

There were a lot of things to learn in the beginning. Brian taught me a different way of how to do things. Brian was always totally prepared. If there was some issue or item that needed attention that was important to the state, like the NCAA or something like that, he knew when he came in with a prepared statement that he had worked on and worked on and worked on. Peter does exactly the same thing.

You were a commissioner in 1998 when some of the largest casinos in the world were licensed, and one of them was the Bellagio. What was your reaction to the opening of this billion-dollar property?

I was 100 percent for it. We had the privilege of having Steve Wynn come up, and he took us through the history of his entire concept of Bellagio, and I don't think there was a sound in the room for whatever time it took Steve to explain to us. Everybody was totally involved in hearing what he had to say. He mesmerized the situation. He explained the concept, how it was born, what his plans were, and we welcomed Bellagio. I mean, we're not a gambling town anymore. We're a destination. And it was the hotels like Bellagio and MGM and the Venetian that have done that. I welcomed the Bellagio.

You were saying what a great presentation Mr. Wynn did at his licensing application. Was there a question about sales tax exemption for his art collection?

That never came before the Gaming Commission. That would have been before the Tax Commission. We never had any involvement in that.

What was it he was asking for? Do you recall?

I'm not quite sure, but it's my recollection that he was asking to be excluded from paying sales tax on those purchases. And I didn't quite totally understand it, because Steve Wynn is a certified art

dealer. He's a buyer and a seller. And I am under the impression that he would have been licensed as such, or the hotel would have been licensed to buy and sell, or he is licensed as an art dealer to buy and sell. And as a buyer and a seller, he would have no sales tax to pay. Like car dealers don't pay sales tax on their inventory. People who *buy* their inventory pay sales tax. And when they sell to another car dealer, there is no tax. It's a nontaxable event. So I never quite understood what that meant. But since it wasn't an issue in front of us, I didn't have to deal with it.

Is he building another hotel-casino now?

Yes, he's building the Wynn property on the grounds of the old Desert Inn.

Does he have a name for it?

It's going to be called "Wynn." It was originally going to be called the "Le Reve," which was the name of a Picasso painting that Steve and Elaine [Mrs. Wynn] owned. The announcements that I read were that people thought his own name and his own imprint, after all the years he's been involved, would be a good thing to do, and he was convinced to change it to "The Wynn Hotel." I think it's a good idea.

I do, too. I agree with what you say about how he's left such an imprint on Las Vegas and Nevada. It's a good idea. So it'd be called "The Wynn."

Yes.

Is there an anticipated opening for that?

I'm not sure of the date. I think it's a year or so from now. I'm not quite sure of that.

Does he have a separate art gallery in town, too?

No, what I'm aware of is that his art collection was housed in the existing Desert Inn property that was not demolished, part of the new properties that were built near the end of the Desert Inn experience. And it's my understanding now that that collection is being sent to Reno for an exhibition and will remain in Reno until the hotel is finished and it can be brought back to The Wynn.

That'll be interesting.

In 1999 after two years of debate, the Commission voted three-to-two to restrict the licensing of slot machines in businesses that are not casinos. Would you tell us how you voted on that measure and your feelings in general as to where slot machines should or shouldn't be allowed?

I voted in favor of that decision, and it was based on the experience of the commissioners who I served with, Mr. Curran and Mr. Gurrola. I respected their experience prior to mine, and they were trying to accomplish something that I think was worth doing. We wanted to give guidelines to people who were interested in coming to Nevada to do gaming, and we were running into situations where people were coming and thinking they had the right to have slot machines.

You'd have someone who was coming, say, from another state, had never been in gaming, and had an idea that maybe they'd open up a certain kind of business and they could put slot machines in it because they thought it kind of fit the mold. And they did not always understand that they'd have to go out and hire someone experienced in the gaming world, particularly a law firm that did gaming law, to help them to understand whether their business would qualify. From time to time, we'd see someone who would come from another state and have a plan and start working and put money up and develop something, and then when they got to the threshold of gaming, it wasn't the kind of place that slot machines would fit into. And so I think that the idea of Chairman Curran at the time was to define what was or was not going to work as far as gaming was concerned. Of course, the way the regulations are written, and the way the Commission operates, we can make exceptions if we feel it's appropriate. So that gave everybody a better barometer. You know, if you're going to open up a mortuary, we're not going to put slot machines in the waiting room. I once made a remark at the meeting that people will be dying to play there, [laughter] and they thought it was funny, but it wasn't worth mentioning. [laughter]

Yes. [laughter]

Certain things have been changed, and I don't think we were interested in expanding gaming beyond what it currently has. There was a movement, if you remember, at the time. There were people who were concerned that gaming was seeping into every nook and cranny of the state as far as homes and residential neighborhoods are concerned, and I think we were trying to not curtail it, but just to identify where it belonged.

Yes, I heard even doctors or dentists requested a slot license for patients to play while they're waiting.

That's correct. Anybody who thought they had enough people to be entertained were coming in and asking, "Would I qualify?"

Yes. [laughter]

So I think that what that did was it protected the public from an overabundance of gaming, it made life easier for the Control Board, and it also protected the people who wanted to get in that business. They knew that wasn't the way the plan was going to work.

Did it become a Nevada state law, or did it become a regulation?

I think it became a regulation. Yes, I'm sure it's a regulation, not a legislative act. It just meant that if you were going to have a 7-Eleven, for instance, we defined certain parameters of size. It had to be a certain number of square feet before you were eligible for that. And if you fit that eligibility size, you then could apply and go through the regular process.

You dealt a lot with social issues during your tenure. Do you recall any other social issues that came before the Commission that you'd care to discuss? Were you involved with the themed slot machines at all?

Yes, we were involved with that. We were concerned about attracting underage [players], and between the Control Board and the Commission, I think we drafted an appropriate set of safeguards to make sure that didn't happen. The industry is very good about that. They do research, and they have companies that go out and determine whether Monopoly, for example, or Popeye, is considered an adult game or a child game. They have ways of researching how many toys are currently sold with some of those [themes]. Obviously, I think you've got to be seventy years old to know who Betty Boop is, for instance.

Yes.

We wanted to make sure that those particular games would not attract some youngster who'd be going through the casino and who would want to come over and be attracted to the game. I think the industry itself has done a pretty good job of that. I don't recall anybody coming to us with something that was far off the wall.

In December of 1999, the Commission unanimously approved the largest gaming transaction in state history, Park Place Entertainment Corporation's three-billion-dollar purchase of Caesars World, Inc. What were your feelings about that?

I supported it. We looked at it very carefully. We did not think it monopolized anything. We supported it.

I thought it was a great step. We were uniting some of the most important properties in the gaming industry in this state.

There are several theme hotel-casinos in Las Vegas. Do you have a few comments about any of them that you would care to mention?

I do. I think the theming of the hotels has actually accomplished the destination idea. My wife and I were at the little outdoor café at Paris some years back and we were having lunch, and I heard the people at the next table saying, "Isn't this fun, we were in Venice last night,"—of course, meaning the Venetian—"we're in Paris now, and we're going to Lake Como for dinner," which meant Bellagio.

[laughter] Yes.

I've had people say to me that you can have all the attributes; you don't have to go to Europe. You can come to Las Vegas and capture Europe. And then, of course, we have New York, New York, and I've got a very cute story about New York, New York. I'm sure you know who Charles Rangel is. He's a leading member of the House of Representatives. He's a congressman. And Charley told me a story—he's got this *deep voice*. You know, it's kind of a raspy voice [speaking in a raspy and deeper tone]. I'm trying to emulate it. He usually comes out to Las Vegas from time to time as one of the leaders of the Democratic Caucus, and he'll come out for various political reasons. And generally, he takes the red-eye back and forth, but he did have some extra time one day, and he went over to New York, New York to see what they had accomplished. Two or three months later he was in his offices in Washington, D.C., and someone came in and said, "You're not going to believe this, but one of my neighbors was at New York,

New York a couple of months ago, and they have a look-alike who looks and sounds just like you walking around.” [laughter]

[laughter]

And, of course, that was Charley. So I think what we’ve done as far as theming is marvelous. It makes Las Vegas exciting.

Yes, it definitely does.

And I think a lot of people come here for that. Otherwise, why not go to an Indian casino somewhere near where you live? The Indian casinos are wonderful. I’ve gone to some of them and they’re very impressive, but they do not offer the Las Vegas package.

That’s right.

And I don’t think it’s possible for anybody to put it together. You can’t put the Venetian and the Wynn and the Bellagio and Paris and MGM and Mandalay Bay and even the Stardust, you can’t put those all together [anywhere else]. You can’t combine them. There’s no other place in the world that can do that.

No. The Indian casinos are all pretty much stand-alone casinos.

They’re stand-alone, and you can go and gamble. That’s about all you can do. And some of them may have added golf courses. I’m not quite sure. They do have some entertainment, but they don’t have *O* [the Cirque du Soleil production at the Bellagio] and I think *O* cost ninety million dollars to stage. They don’t have Celine Dion. And from my understanding Celine Dion has made an enormous difference at Caesars. The restaurants are full; the Forum is full; everything is full before the show. People have to come into the facility before. They probably dine there and go on to the show, and then they stay. I think it’s turned out to be very successful. *O* does the same thing. All of the major shows are an attraction you can’t find anywhere else.

And you know the quality of them because some of them have been on for so many years. O has been on for quite a few years, hasn’t it?

O has been on, and the *Mystère* shows. The Siegfried & Roy show brought in over a billion dollars into the Mirage. It was outstanding. They led the world in magic shows. Now you have other great magicians doing shows. It’s Las Vegas.

Yes. The Folies Bergère has been at the Tropicana for fifty years, hasn’t it? [laughter]

That’s right. That’s right.

Or did it use to be at the Stardust and now it’s at the Tropicana?

No, the Stardust had the *Casino de Paris*. The *Folies Bergère* is the *Folies Bergère*. It really was "the show" in Las Vegas. But those were long ago. Those were different times. I'm sure people still see it. *Hallelujah Hollywood* is still at Bally's—great show.

And that played in Reno for several years.

And that's where Siegfried & Roy started. They were part of that show. Of course, I go back to the days of Sinatra and Steve [Lawrence] and Eydie [Gormé]. Steve and Eydie just played the Stardust, and they were sold out. Someone offered somebody in the hotel ten thousand dollars for two tickets, and there were no seats available. Steve said had he known, he would have sold them two tickets.

But when Frank Sinatra would come to town, it was like New Year's Eve, because we had the dress shop at the Sands during those years when they were shooting *Oceans 11*. It was fun.

That had to be a party every night.

It was fun. Everybody had a good time, and the stars would participate. They'd sit in the coffee shop. They'd say hello to everybody. They never had to hide. They didn't need security. Red Skelton would have breakfast every morning in the Sands coffee shop and talk to any fan that would come over; he'd sit and chat with him. They'd be comfortable. They'd come in and out of our shops. I remember Jack Benny and his wife coming in and out of the store at the Sahara; Danny Thomas; all of them. It was an unbelievable time.

One of the things that continues to make this a destination is the fact that we probably have restaurants as fine as anyplace in the world. All the hotels have remarkably great restaurants. The Venetian has a number of restaurants, the Bellagio has a number of restaurants, Mandalay Bay has some great restaurants. All of the hotels have brought in the best of food.

And some famous chefs have opened restaurants.

Very famous chefs. It's a dining experience. It didn't used to be that way. If you remember, we had the buffet or the chuck wagon. And I don't know if you remember, but the Flamingo chuck wagon at midnight was a buck—one silver dollar. Now it's Wolfgang Puck, Emeril, Charlie Palmer. All these guys are first class.

There again, that's something the Indian casinos will probably never have.

Yes, between shopping, retail, and food. It's my understanding in many of the hotels non-gaming revenue is equal to gaming revenue. That was not the way it happened originally.

No, it never used to be that way. Well, these shopping malls have brought in tens of thousands or hundreds of thousands of people, also.

Absolutely.

I saw in the paper today that March of this year was the second largest visitor month in the history of Las Vegas. It was over three million people.

I saw that. Yes.

And I thought that was interesting. It was showing that everything's turning around as far as some of the fear from 9/11 starting to fade away.

I hope so.

It's very encouraging to have the second highest volume month in history.

It is encouraging, and also, we are probably, from what I'm told, the convention capital of the world. The conventions here have great attendance, and the people are happy to work all day and happy to be able to have the experience at night of fine dining and shopping and gaming if they want. I know that some of the major conventions come back year in and year out. This where they want to be. I think Sheldon Adelson kind of led the pack with that.

[laughter] Yes.

I remember when he first started to do conventions with COMDEX at the convention center, there were some hotels who didn't want to give up their rooms at lower rates to conventioners because they didn't think that they gambled, but I think everybody is now trying to capture that convention business.

Yes, I think the entire state of Nevada is that way now.

Yes.

Northern Nevada was the same way; they didn't want these convention people, and now they're out desperately seeking them.

Well, it's made a difference. Mandalay Bay built a convention center. I don't have any idea what Wynn is doing. The MGM has expanded their convention facilities. Sheldon Adelson at the Venetian has one or two million square feet, so obviously, it's pretty tough to match that. But he really built his hotel around the convention business. And according to the numbers I saw in the newspaper recently, he's posted unbelievable results for the first quarter, just unbelievable results.

That's great.

In October of 2000, Station Casinos was fined \$475,000 to settle a complaint from the Nevada Gaming Control Board regarding an anonymous mailer sent out by a former Station Casinos executive, Mark Brown. Would you tell us about that incident and your feelings regarding the size of the fine?

Well, there's not a lot to tell you about the incident, because I think it's been well documented. I

think part of the big problem was that they didn't disclose who was responsible for what the mailers were, and it was sent out anonymously, and I think that the control board felt that was a violation. I think the incident was well handled as far as the Control Board was concerned, and we think that the stipulation in the settlement was appropriate. I remember making a comment that I have used since in regards to other situations, and my comment was, "Some of this had to do with what I sometimes refer to as 'corporate arrogance.'"

[laughter]

In other words, they feel they can do no wrong. It so happens I think that Stations is a fine organization. I think they do a good job in the industry. They're a great part of the public community. I just think that sometimes that some of us, including our administrations in various parts of the nation, think that we can't do anything wrong and we have to look out for any of us, including gaming commissioners, for being too arrogant. So I used the word "corporate arrogance," and their counsel took exception to it privately.

Oh, privately. [laughter] In July of 2002, the Hard Rock Hotel & Casino was fined a hundred thousand dollars to settle a Gaming Control Board complaint that sex acts were taking place in the casino. Would you tell us about what you recall about that incident?

Well, that was a rather serious incident, and during the hearing it appeared that the president of the Hard Rock, who had just come aboard, wasn't as familiar as I thought he should be with the incidents. I was kind of surprised that he hadn't viewed all the tapes and all the material that the Control Board had talked about. I made a comment that I think was kind of shattering to him, and I said, "Maybe a million-dollar fine would have gotten your attention." And he staggered at that comment. I was quite distressed, but then he explained away that the reason he didn't get into it totally was because their attorneys and he and everybody—he wasn't part of the organization at the time this incident took place—since they had agreed to the fine, they had agreed to all the penalties, that he just wanted to go forward. But I did want him to understand how seriously I looked at that situation, and I was sure he got the message.

It was a lounge act where they were having sex?

No, there was activity going on in the bar, or in whatever the nightclub was—I don't remember now exactly what the name of the facility was—that was improper. It might have been late-night activity. Now, without protecting anybody—and it isn't my intention—it's hard for me to imagine that the license holders would risk their license for this kind of behavior. What this is in our experience is generally some employees who see an opportunity to change the rules a little bit, and perhaps get a nice big toke or something for turning a blind eye to things.

Oh, OK.

And I think that—I've used the word before—"rogue" employees sometimes can do you in. And candidly, you can compare that to what's going on in the world today, where people who are doing things that their superiors certainly wouldn't want them to do. And, of course, the buck stops at the top, and so

the owners and licensees have to take the heat for what their employees do.

So I thought we had handled that situation in the best interests of the state as well as the industry and the public. At the time that's what I believed.

Yes. Well, big part of your job is to protect the reputation of the industry.

And to protect the state. You could take all these things and expose them fully, fully, fully, and bring them onto *60 Minutes*, because I'm sure that somebody likes to be able to talk about things that are shocking, and get a lot of mileage out of it. It wouldn't change the penalty system. All it would do, I think, would be to damage the state of Nevada and the industry as a whole.

In January of 2004, the Gaming Commission suspended the gaming license of the Horseshoe Casino owned by Becky Binion Behnen. Would you please comment on that closing?

Well, that license was suspended because of the fact that Becky Behnen's bankroll had been seized by creditors, and so the Horseshoe no longer had the financial ability to maintain the responsibility of a proper bankroll. And so we had really little or no option but to close her down. As far as the closing is concerned, I totally supported the Harrah's MTR [Gaming Group] transaction. I thought it solved a lot of problems. It solved Becky Behnen's problems financially to a certain extent. I don't know this factually, but I think the Horseshoe was a very expensive proposition for her, and I think it probably impacted her wealth. This gave her a chance to come out from under a little bit. I hope she salvaged something. I'm hoping she did.

The other very important issue to me, and probably most important, was that we put somewhere around nine hundred people back to work, and put them back to work quickly. I have a lot of confidence in downtown. Harrah's is a marvelous licensee. They're a responsible company, they're very good people, and I saw a great opportunity for them. They obviously didn't want to keep the Horseshoe for a long term, so they brought MTR in, and I think MTR made a great real estate transaction. If it all works out like everybody hopes it will, I think MTR got a great casino for a very good price. Harrah's got what they wanted, which was the Horseshoe name in the state of Nevada, and the employees got back to work. And Becky Behnen, who tried desperately to maintain her father's legacy, maybe got a little bit of financial relief. So I think in the long-run it was a great solution.

Good for everyone.

Good for everyone.

You mentioned Harrah's getting the use of the name "Horseshoe" in the state of Nevada. Does that still go on after MTR takes over?

Yes, after MTR takes over, it will be Binion's. It won't be Binion's Horseshoe. The MTR people, it's my understanding, wound up with the Binion name. The Harrah's people, who bought Horseshoe properties outside of the state from Horseshoe Gaming from Jack Binion, will have now owned the Horseshoe license or name or trademark for the state of Nevada, which I think covers the entire country. In other words, they owned it elsewhere, and so they'll have the Nevada license, which gives them great

opportunities to take that whole thing and work with it. It's a good transaction for them; it's a good transaction for Nevada; it's a good transaction for the employees.

So they could build another casino and call it Harrah's Horseshoe?

I don't know if they'll call it Harrah's Horseshoe, but they can open Horseshoes wherever they want to. And there is talk now—we don't know; this is just newspaper talk—that Harrah's is looking for a Strip hotel, or to do something on the Strip that might be called "The Horseshoe." They're a good company. Phil Satre is a fine person.

This is a very recent incident: in March 19, 2004, the Commission imposed and agreed upon a one-million-dollar fine on the Venetian. Would you tell us why the fine was imposed?

This was a rather serious situation. The complaint had to do with the fact that at the Venetian, some of their employees which I referred to as "rogue" employees had a drawing in which they gave away some automobiles, and the participants in the drawing were high-level casino customers. And it turned out that the gentleman or the party that won the number one car was the largest, heaviest loser in that group, and the guy that won the second car was the second heaviest loser in the group, and so obviously, somebody cheated. And this was actually casino employees cheating at gaming. Even though they weren't benefiting in any way—there was no financial benefit to the hotel or the licensee—they were doing something that is absolutely 100 percent wrong. As Peter Bernhard said, and as I said, this is probably as serious a violation that I'd seen, because this was cheating at gambling, which is absolutely forbidden and not acceptable. It was carefully handled to the credit of the Venetian. They found it internally, and they brought it to the attention of the Control Board. They self-reported. This is the information that I was given. And self-reporting it, that says a lot.

Speaks highly, yes.

It speaks highly for the licensee. I can't possibly imagine a licensee that would jeopardize a multi-billion dollar investment to give a car to the wrong guy. They would rather buy the ten cars than jeopardize this investment. So whatever reason the employees had to do this was to enhance their own image of being able to keep these high-rolling customers on their property by throwing goodies at them.

We were disappointed in the amount of time it took for this to come to the Commission. After investigation, and after conversation with the Control Board, it became clear to us that part of the reason that it took so long was the process was that the attorneys for the Venetian and the deputy district attorney generals were in the midst of negotiation, and they would talk and arrange things, and then lots of time would go by before they got back on track on that issue. I think it's something that won't happen again. I think that as a result of our comments and a result of more conversation with the chairman of the Gaming Control Board, they're not going to let the time lapses get away from them. I think everybody understood clearly that the Venetian was prepared to stipulate to the wrongdoing and to pay a fine. I just think we got caught in lawyer talk. And the lawyers talked, and maybe—I'll be cute—and maybe they got more billable hours, so the longer it took, the more they charged the hotel for the time they were taking to do this. If you settle it, you can't get paid.

That's right. [laughter]

So maybe the lawyers are the people. [laughter] Forgive me. But it was a serious situation, and the fine was appropriate, and I think as a result of that, in situations like this, the Control Board is on target now to not let time take its toll to the disadvantage of the state and the industry, because the situation was resolved. A speedy resolution would have said more for everybody, and it just got away from everybody.

Do you feel, or did the Commission feel, that criminal action should have been taken against the individuals involved?

I'm not well enough versed as to be able to answer that appropriately. I think if the state felt there were reason for criminal actions, the attorney general's office would have proceeded.

Were the people terminated, or the rogue employees?

Yes, it's my understanding they were all terminated immediately at every level.

So that, as you mentioned earlier, was probably the most serious violation of gaming regulations that has happened since you've been on the Commission.

At first glance I can't think of anything else. There might be something there, but it doesn't come to mind.

Over your several years on the Commission a lot of people have come in front of you, a different kind of people, unsavory elements. Were there any particular applicants, either individuals or companies, that caused you a great deal of concern?

That's not something I would comment on, because I don't think it's fair or due process to talk about people without them being able to defend themselves. I just don't think it's appropriate. There were people who've been denied. I think they've been denied appropriately. And the people who have been licensed, I think were licensed because they were suitable. But I don't want to single anybody out.

What do you think is the largest problem facing the gaming industry at this time?

Well, I think the proliferation of Indian gaming is a concern. My own opinion is that I don't quite understand why Indian gaming doesn't have the same responsibility on the tax rolls as regular gaming does. I think that the infrastructure that you have to do to provide roads and water and sewer to Indian gaming facilities is the same, and I think they should pay their way. I think it gives them an advantage that is really unfair. There are a lot of reasons why the Indians think they should be excluded, but I think it's gone beyond what anybody expected it to.

The costs of doing business are becoming excessive. You can't open a hotel anymore. Mama and Papa can't open a little hotel. Today everything is a billion dollars, so it's a lot different than it used to be. But yet, we see in rural Nevada, and we see it elsewhere, where boutique entrepreneurs who are clever

and who offer good service and good food and fun, are able to be successful. I think it's a healthy industry.

Well, as we mentioned earlier, March of this year being such a record month indicates that things are healthy or getting healthier, perhaps.

I think so.

Have you thought much about internet gaming and what problems it could present?

Well, internet gaming is still something that we will have to consider, and so I can't comment too much. We were charged by the legislature to come up with some rules and regulations regarding internet gaming. We haven't gotten there. As long as it's considered illegal by the federal government and the Department of Justice, we haven't really addressed the problem, because until it's legal, there's no point in spending the effort, the time, the money, to find something that the Department of Justice says is illegal.

I have concerns about internet gaming and about the possibility of underage gaming, the possibility of people dealing with companies that won't be honest, the possibility of encouraging the anti-gaming world to have more ammunition to throw at us because possibly compulsive gaming will hurt people who can't handle their responsibilities the way they should. And they're innocent of it; it's a disease, according to the compulsive gaming studies. So I don't know whether letting the genie out of the bottle is a good idea.

There's an awful lot of it going on.

It is. It is going on, but I think a lot more would go on if we went on the internet. And I wouldn't like to see some, oh, bedridden senior citizen lose his or her prescription drug money because they don't have anything else to do and they become victim to compulsive gambling.

Right in their own living room.

Yes. It's a restricted industry, and I think because it's restricted I think people have got to *go* there [to a casino]—they should go there. There's a lot of new technology coming up, and all of this may change, and they may be able to establish who's on the other end of the wire or wireless and prove that it's somebody of age and somebody appropriate. I'm sure they're all working on it. I need to know a lot more about it before I can intelligently tell you where I really sit. If we're going to have internet gaming, Nevada's licensees should be allowed to participate and not be at a disadvantage. If internet gaming is going to happen, then they're entitled to the same opportunity, and their shareholders are entitled to the same opportunity. But first we have to get the Department of Justice to tell us it's OK.

Right.

So I think I've covered that. [laughter]

Yes. [laughter]

Some of my friends are for it, and some of my friends are against it, and I'm with my friends.
[laughter]

You've been described as the conscience of the Commission and the member most likely to sway other members' votes. Would you care to comment on that description?

Yes. My wife was very upset when she thought that my hat would no longer fit on my head [laughter] and that I could no longer get through the door because my head had swollen up so much. I was very flattered. I think I have a very strong relationship with each of the commissioners. We like each other and respect each other very, very much. I don't think I'm any more influential with any of them than they are with me. But I was flattered for the comment. I thought it was a nice thing to say. I probably should have sent that reporter a bouquet of some kind.

[laughter] Yes, who wrote that?

I think it was Jeff Simpson. I'm not sure.

Was it? [laughter]

I'm not sure who it was. I'm not sure if it was the *Las Vegas Sun* or the *Las Vegas Review-Journal*. It was a very flattering article, and I was pleased.

Well, now that we've heard how you were described, how would you give us your description of Art Marshall, Nevada Gaming Commission member?

I know that the big guys, if they've done their work right and they've applied appropriately and they've got their attorneys, I know that most of them can be found suitable. I would say Art Marshall, Nevada Gaming Commission member, is happiest when we can give back somebody's work card and give it back to somebody who needs a second chance. I learned that from Bill Curran. The first thing that Bill used to read in the volumes of material we get, he told me—I don't know if he did it every time—but he would look at the work permits. And with the work permit, what happens is that somebody has lost their work permit and they go to a hearing officer, and they apply with the hearing officer for a second chance, and the hearing officer will recommend either to sustain the objection or to reverse the objection. That then goes to the Control Board, and the Control Board will either accept or deny the hearing officer's recommendation, and then that goes to the Commission.

If someone's denial is overruled and they get their card back, we don't have to see it. But if their denial was upheld, the objection was sustained, that person has the privilege of appealing to the Commission. And depending on the length of time and whether it was the first or second appeal, they either have a year to come back if we don't give it to them or five years to come back. And I felt the five-year rule was a bit harsh. What we were doing was suggesting to certain people that we thought it wasn't timely to give them their card back, and that maybe a little more time should pass and they should have a job in some other field or they should prove that they were worthy of another chance. What we would

have to do because of the five-year rule is we would have to ask them to withdraw their appeal so that if it didn't happen, then they could come back without having to wait five years.

That got a little cumbersome as far as regulations. They had to waive a 180-day rule, which meant the Commission had to act within 180 days. And so when we re-drafted the work permits and all the work permit cards, we were able to change that five-year rule to five years unless deemed otherwise by the Commission. And what I've noticed since that's happened is that there seems to be a lot more flexibility in the whole process. It's important to me to give people who are deserving a second chance. I have less of a problem with it, I think, than the Control Board does. But again, I say that with great respect because they come out of a police background, and they are dealing with people at a different level in life than I deal with in my life. I can be more flexible because I don't have the same experience that they have, and I could be wrong. But I think that in the seven years I've been on the Commission, it's my understanding that of all cards where we overruled them and gave them back, I don't think too many people have failed that trust we've placed in them. We've had a couple, but not too many. And I also don't think we're going to destroy the gaming industry by giving a card back to somebody. The worst thing that'll happen is if they get in trouble, they'll lose their card, and that's pretty much the end of it for them.

And the people you're talking about are on a lower level of employment.

People I'm talking about are dealers and change people and people like that who need a job in the industry to make a better living. Some of them make some mistakes, and some of them are dreadful and they don't deserve to be given a second chance. But I don't know, second chances are not a bad idea for people who deserve them.

Well, don't you believe that a lot of people that get a second chance do a better job the second time around?

Our experience is that they do. We had a guy who had probably come back over a period of ten years and he'd been turned down every time he came back. In the prior regulatory system, just before this new change—and it may still be this way now; I don't want to make myself look silly—if the Control Board votes to deny, and it's the second time around, the Commission has to unanimously vote to get it back, which is the same as it is for a licensee. If the Control Board denies someone for a license, the Commission can overrule the Control Board, but it has to be unanimous. If the Control Board approves someone for a license, we can deny them by majority only. But to overrule them on a license that they've denied, we have to do it unanimously. And it's not easy to get a five, even on a work card. But we do it, and we've done it numerous times and it isn't that we're happy that we've overruled the Control Board. That's not the issue. It's that it feels good to be able to give somebody a second chance.

We had a man who came to us over a period of years. I think he'd probably been back for ten years, and the Control Board just never saw fit to give him his card back. And after ten years, I thought it was appropriate, and I kind of helped start the pack rolling, and we did get him a five. Actually, we got him a four, because one of the commissioners was absent that day. We would have gotten that commissioner. And this man was in his fifties—maybe early sixties—hadn't worked in the industry for ten years, had put two children through college with scholarships and graduated, had worked in the restaurant business as a busboy or a waiter for ten years, supported his family. He was *so* emotionally [big

sigh] involved after we gave him his card back that he wasn't capable of driving his car. That's how emotional he became. He had to sit outside for an hour. He cried like a baby when we gave him his card back, and then he wrote each of us a letter thanking us for giving his honor back to him and his credibility back in front of his family. And he probably never would go back into gaming. He really didn't want to go back, he just wanted to have that burden discharged from him. That feels good.

That's a wonderful story.

Yes. John Wilhelm asked me one day, "What do you like best about being on the Gaming Commission?"

And I said, "Those are very good times, and you know you've done something right." I'm sure we've given a couple of cards back and people failed the test, but I think most of them have survived it. And I think as a result of how we've been acting, the Control Board has kind of softened up. It goes back to Shannon Bybee.

[laughter] Right. Justice and mercy.

They're the police department and we are mercy. *[laughter]*

Yes. [laughter]

We are mercy! I believe our job is not to play "Gotcha!" I don't believe in playing "Gotcha!" If we can, in any way, protect the state and the industry by bringing things to the attention of licensees before they get out of hand and protect the player, the state, the licensee, I'd like that system better than trying to see if we can get them to fail and punish them. I'm proactive rather than reactive. I know how tough it is for people to be in business, and I know how tough it is for people to be able to build a business. Our licensees, most of them are very credible. I think that they employ a lot of people who have a better lifestyle in Nevada than they could have anywhere else in this country.

I agree with that 100 percent.

There are a lot of nice cars, a lot of nice RVs, a lot of nice boats, a lot of nice homes here in a strata of people who weren't fortunate enough to have great educations, but Nevada has provided them, and the gaming industry has provided them, with great opportunities. My experience with almost everybody that I know in the industry, all of the top guys—and because of my previous business I know some of these people, and I'm proud to know most of them—is that a lot of them are what we used to call "handshake guys."

Yes. [laughter]

I have to tell that to people from time to time: "Remember, we built this industry on handshakes."

You're meaning your handshake is your word.

Your handshake is your word. When you think about it, the old timers . . . in the old days of the gaming industry there weren't pieces of paper. Somebody called somebody and said, "I'm betting so much on the baseball game or the football game or whatever it is," and it was an honor system. There was a lot of honor among the gaming industry. I can tell you this in my own experience; we built several hotel shops years ago without leases. We went out and borrowed more money than I ever knew would ever exist and never lost a moment's sleep, and those leases were delivered thirty days, sixty days, ninety days, six months later just as agreed, and it was all handshake. And those were the biggest, oldest names in the industry: guys like Bill Bennett, Circus Circus; Carl Cohen at the Sands; Jack Entratter at the Sands; Milton Prell with the Sahara; Bill Boyd. You can't get a better handshake guy than Bill Boyd. Terry Lanni, outstanding; Phil Satre; Mike Ensign. These are great guys—great guys.

Top of the line.

These are all top guys. It's a privilege to know them, really. They're gentlemen.

You sound as though you're proud to be associated with them.

I'm proud to be associated. Sheldon Adelson, a very philanthropic man. A hard businessman, tough . . . maybe tough's not the right word, but a visionary. Steve Wynn's a visionary.

Steve Wynn compared himself to Bill Harrah one time as far as being visionary.

I have no comment. [laughter]

Big spread there. [laughter]

I have no comment. I don't know the basis of that comparison, but I really do believe that Steve Wynn had a lot to do with changing the town into a destination. Kirk Kerkorian—handshake. He hires the best people—doesn't operate himself, but hires the best people. If you look at the line-up of people that have worked for him over the years—Burton Cohen, Al Benedict, Terry Lanni, Alex Yemenidjian – you'll see top-quality people and people of high regard.

Are there any decisions, votes, or actions you made while you were on the Commission that you would change if you had the opportunity?

I really can't think of any.

Would you tell us about some of the most unforgettable persons that you have met while serving on the Commission, some of your fellow members or people that came before you, or people that made an impression on you?

Well, I've developed as a result of these relationships with the three chairmen of the Commission, Steve DuCharme, Bill Bible, who I have a *huge* regard for. Bill Bible may be as good a regulator as ever

walked the earth. And [Bill] Curran, as I mentioned to you before, Sandoval, and now Peter [Bernhard]. Dennis Neilander is a whiz—just a whiz. I used to accuse Bible of Dennis being his secret weapon. Bill is head of corporate security for Bill Bible on the Control Board. Dennis is exceptional, and he's a nice person.

Bill Curran and I, we've become lifelong friends. Brian Sandoval and I are lifelong friends, and I'm just proud of all these people that I've gotten to know well. It's a privilege. I did not know Phil Satre before. I consider him a good friend. I've enjoyed meeting Gary Loveman, who is a Harvard guy who's very bright. Mike Ensign I met as a result of the Gaming Commission. I never had met him before. I really like the Fertittas. I've gotten to know them. Carl Icahn came in front of us, and he was impressive. Donald Trump was here recently, and behaved very nicely. He was quite well-mannered and behaved. My granddaughter wanted me to do what he does on the show, just twist my finger and say "Denied!" but I didn't think that was appropriate. [laughter]

[laughter] No, not for a grown-up.

I don't think he deserved that, [laughter] but she thought that was a good idea: "Grandpa, would you just wave your finger at him and say, 'Denied!'" you know, like "You're fired!" or whatever he does. I haven't seen the show.

I haven't either.

As I told you, I've known Mr. Kerkorian for a long time. I've met some very impressive people—their names don't necessarily come to me—people who have represented licensees, attorneys and accountants who are very, very bright when it comes to managing money and doing things for the benefit of their customer, their legal tax planning and things like that. You get to see some people at a level you would never get to see. So there are a *lot* of interesting things that happen all the time.

Do you have any final comments or observations regarding the gaming industry that you would care to make at this time?

I think that Nevada has the ideal system. I would absolutely always want, if possible, to make certain that we'd never change the two-tiered system, that the Control Board should do its investigative work, do its recommending, and then have the Commission be the final arbitrator. It isn't because I sit on the Commission; it's because I see what works. I think it protects the industry, it protects the licensee, and it protects the state. The state, first of all, because that way you have a two-tiered system with a check-and-balance like the Senate and the House of Representatives, and I think it gives a measure of fairness that only can come from that, because you don't have the autocracy of a one-board oligarchy, if that's the right word. You have a presidium or a Politburo of three guys, and you're never going to know who the three guys are, and that way we make it possible that there's total justice in this system. With this two-tiered system, it's imperative that it be kept up. Whether Art Marshall goes or stays, I would never want to see that changed.

That's the key, that two-tier system.

I think that's absolutely the greatest leveler for the state, the industry, and the player, because you never know when you will get somebody who is zealous over what they believe in.

Yes, it's very true.

And if you get somebody who is overzealous, this way you have safeguards against it, or if you get somebody who is underzealous. In other words, if you get somebody that is too lax, this two-tiered system makes it work. Remember, in the seven years that I've been here, I would say to you that we've probably agreed 95 percent of the time. It's maybe even more than that.

But the times we disagree are important. There are issues where we take a different position, and they're important. I'm a guy that was concerned about what's called "unintended consequences," things that are said that have far-reaching effect. You know, that old cartoon, "Plan ahead," and the guy ran out of paper.

Our responsibility as the Commission is to make sure that there are very few unintended consequences, and I think that that gives the Control Board the privilege of doing more because they've got this safety net around them to a great extent. They've got this rubber bumper. I have a boat that my grandchildren run in Coronado. It's got a big rubber, inflatable tube around it, so when they come by my boat, they can't damage it. They can come up against it and bang up, but they can't hurt anything because they have this big rubber bumper. I think the Commission's a big rubber bumper for the Control Board.

That's a good comparison.

And with that, I'm done. [laughter]

Well, thank you very much for your time, Art.

It's been fun.

WAYNE PEARSON



Wayne Pearson was born in 1930 in East Ely, Nevada, attending schools in the area prior to enrolling at the University of Nevada, Reno. He graduated in 1952 and after serving in the military during the Korean War, he received a master's degree from the University of Nevada in 1957 and a doctor of philosophy from Cornell University in 1959. When he returned to Nevada he was employed on the staff of the Nevada Gaming Control Board, where he worked on audits, investigations, and enforcement. In 1963, at the request of Paul Laxalt, he resigned the position to work for Nevada's Republican Party as its executive director. After Mr. Laxalt was elected governor, he appointed Pearson to the Gaming Control Board on January 1, 1967, a position Pearson held until 1969. He then moved to Las Vegas and started a consulting firm, specializing in business and political consulting.

Wayne Pearson, 1998. Photo courtesy of Wayne Pearson.

Dwayne Kling: The date is November 20, 2002. Does the Oral History Program have your permission to tape and transcribe these interviews that we are about to begin today?

Wayne Pearson: Yes, Mr. Kling, you certainly do.

Let's start out by asking when and where were you born?

I was born November 10, 1930 in East Ely, Nevada.

Where did you go to high school?

Ely, White Pine County High School. I attended grade school in McGill, and high school in Ely. I graduated from White Pine County High School in 1948.

After you graduated high school did you go on to a college or a university?

Yes, I started the University of Nevada in Reno fall of 1948 and I graduated in 1952. Then I did a year's work on my master's degree, following which in the summer of 1953 I went into the Army. I served during the tail end of the Korean War. I never got out of the country, but I may as well have been. I was at the White Sands Proving Ground in New Mexico, and we crossed the border to fight the Battle of Juarez many a night. [laughter]

After you completed your military career did you go on to further your education?

Yes, I came back to Reno and I received my master's degree in 1957. Then I went to Cornell University and started working on my Ph.D., and I completed that in the fall of 1959. My degree was actually educational psychology and measurement. I wasn't much interested in the education part of it. I was more interested in the measurement part—the statistics and sampling and probability theory and that type of thing.

How did you happen to go to Cornell?

I had a friend from McGill named Garth Blackham who had previously gone there in the same program. I think it was primarily through his influence that I was offered an assistantship there in the testing bureau at Cornell. Probably the reason I got in there is through his influence.

What did you do after you got your Ph.D. from Cornell?

I had decided some time ago that I wasn't interested in academics professionally, as opposed to just about all my other student friends back there at Cornell. They were all looking for jobs in university settings, teaching positions. But I had always, even back in my high school days, been interested in gambling. And I had become interested in the Gaming Control Board through another friend of mine who was working for them back in the 1950s. So in the spring of 1959 I wrote a personal letter to Governor Grant Sawyer, who I'd got to know quite well when he was running for the Board of Regents in about 1956. He was still in Elko at the time, and he had lost a close race for the Board of Regents. They were elected statewide in those days. He carried every county, I think, except Clark. But I got to know him quite well and I'd worked hard for him.

I told him in my letter that there were some contributions that I thought I could make to gaming control. So in his answer he said, "By all means when you get out here later this summer or this fall, drop by and see me." So I finished school the middle of September and I drove back out West, and I went into his office—this was about the middle of October 1959—and we talked for a while. Then he picked up the phone, and he called Ray Abbaticchio, who was the chairman of the Gaming Control Board. Quite an

interesting conversation. In effect what he said was, “Ray, I’m sending this young fellow—his name is Wayne Pearson—down to see you and I want you to give him a job.” [laughter] So I walked down the street to the Gaming Control Board where Ray Abbaticchio met me and hired me on the spot.

[laughter]

I guess you can glean from that that in those days governors were a lot more directly involved in gaming control than they are today. Both Governor Sawyer and Governor Laxalt were very much involved.

Did you work in casinos at any time when you were going to the University of Nevada?

A little bit. In the winter and spring of 1953 I worked weekends tending bar in the Nevada Club. And in the spring of 1957, when I was finishing up my master’s and waiting to go back to Cornell I used to go catch up on the baseball scores on the second floor of the Nevada Club. They had a big board where they posted the scores, and I noticed that they didn’t have anybody who was posting the scores. They’d come in on the ticker tape, and once in a while a security guard or somebody would come by and try and get them up to date. But it wasn’t being done very well. So I went down to the cage, straight up to Mr. Fitzgerald, and I said, “Mr. Fitzgerald, you need somebody posting the scores up there on that scoreboard.”

And without looking up he knew who I was. He remembered me, and he said, “Who’s the best right fielder in the American League?”

I said, “Well, tough question, but I think I’d probably have to say Jackie Jensen.”

He said, “What about that young fellow with the Detroit Tigers?”

I said, “Well, Al Kaline’s pretty good, too. I won’t argue there with you too much.”

So he said, “OK, go on upstairs and go to work.”

[laughter]

So for the next two or three months I posted the scores on the scoreboard at Nevada Club.

Did they have betting on the games?

No. It was just a convenience to the customers.

He was probably partial to Kaline because they were both from Michigan.

Yes, from Detroit. Exactly. I guess it was a good thing I thought of that comeback with Kaline or he might not have hired me.

[laughter] *Is it true in those days that Mr. Fitzgerald had to personally see, interview, or talk to anyone that was hired?*

I’m not sure of that. I’ve heard that same story, so it could very well be true. He certainly was a

hands-on operator, that's for sure—he and his wife. And, of course, they lived right there, up above the casino. He had lived there ever since he had been shot outside his southwest Reno home.

Did he hire you as a bartender?

No, I had another friend who was working there, and they were looking for somebody to work part-time on weekends. On Sunday it was a twelve-hour shift, from about ten in the morning till ten at night. Oh! Tough shift. Never got off my feet. Never took a break in twelve hours. He did not personally hire me for that, but the bar manager did.

Did you gamble when you were going to college, or were they pretty strict as far as keeping an eye on minors?

Well, the answer is yes and no. Yes, I gambled, and no, they were not very strict in those days. In fact, I never once was asked for identification to establish my age all the time I was an undergraduate at University of Nevada, Reno—*never*. And I think that was pretty true for everyone in those days. I think the philosophy was as long as you behaved yourself and acted like an adult they would treat you like an adult. And I wouldn't say I gambled *much*, but oh, yes, some. We would bet on the football games, both college and pro games.

So when you went to the Gaming Control Board you had been exposed to gaming, but you weren't really knowledgeable about gaming per se.

Oh, I would consider myself very knowledgeable.

Oh, you would? Had you made a study of the games even at that time?

Oh, sure. Yes, I had.

After Mr. Abbaticchio hired you, how did your career start?

Well, I was assigned to the audit division, but I did a lot of work for the investigations and enforcement divisions in Carson City. I also spent a lot of time in Las Vegas. A wonderful gentleman named David Malcolm was the head of the audit division and we developed a very good relationship. They decided they would make me a jack-of-all-trades. They would use me on research projects as needed, and in between I would assist in the audit division. I helped conduct background investigations on applicants, mostly on the financial side. I also did studies on “drop and win.” There wasn't much known about “drop and win,” and I made, I think, some pretty significant findings.

One of the interesting projects that first year, 1960, came about because the Board received some complaints alleging that people in southern Idaho were unhappy with the new casinos in Jackpot, alleging that they were hurting the economy of southern Idaho. And so the Board asked me if I could go up there and assess the situation. So I did. This was in September. The reason I remember it so well is I remember watching that first famous television debate between John Kennedy and Richard Nixon from my motel room in Twin Falls, Idaho, one evening while I was up there. I spent about ten days or two weeks there,

and I came back and I wrote a report to the Board which said, in effect, that opinion was split up there whether or not the Jackpot casinos were hurting the economy of southern Idaho. Some people said yes, some people said no. But everybody then gave the same answer, that they didn't regard it as Nevada's fault. They blamed themselves because they said, "We had slot machines up here and we got rid of them. So we don't blame Nevada at all, we blame ourselves. And more power to Jackpot and more power to Nevada."

Did you say you went to work for the Gaming Control Board in 1959?

Yes, November first. The legislature, during the 1959 session, had created the Gaming Commission to take place of the old Tax Commission, and I believe they were appointed and went into effect on July the first.

So they came into being shortly before you went to work for the Board?

Yes, a few months before.

Who were the first commissioners?

The first chairman was Miles Pike. A few months later he was replaced by an attorney, Milton Keefer, from Las Vegas. Another was James Hotchkiss, also from Las Vegas. He owned an armored car company. I think another attorney, Bert Goldwater, from Las Vegas was also one of the first members. Then from Reno there was a fellow named Pete Walters, and a rancher, Norman Brown, from Smith Valley.

When the first commission was created was the idea accepted by the gaming industry as a whole?

I'm not sure. I wasn't there at that time. From what I could glean there was kind of a "wait and see" attitude. But this was a very activist commission—I think probably in part it was because the governor had announced he was going to have a "hang tough" policy. "Hang tough," he directed the Board and Commission. And so they did. They embarked on several programs, all of which were controversial. One of them was they were not going to permit anyone who already had a gaming license to have any more. They would grandfather those in place, those who already had multiple licenses, but nobody else could get a second one. That raised a firestorm of protest. The governor even said publicly that he was going to have to look into it and straighten that matter out. The Commission then backed down within a month or two.

I remember another one which was controversial, and I think this involved Dick Graves for some reason. Every quarter—and they still do it this way—each casino pays its quarterly gross gaming tax, and then they get a license again for the next quarter. The new Gaming Commission was going to try and take the position that the license, in effect, came to an end each quarter and they were entitled to judge whether or not they were going to renew the license. Anyway, the attorney general issued an opinion and said no, they could not do that, that once a permanent license had been granted by the Board and the Commission it was permanent, and it could only be suspended or revoked for a just cause under the law.

I also remember a third major policy that they came down with that was the so-called "Black

Book,” or the book of excluded persons [*List of Excluded Persons*]. It listed persons who were to be excluded from entering a licensed gaming establishment in Nevada. I believe they established the “Black Book” in the late spring of 1960. Well, the casinos didn’t like this because they said, “How are we supposed to know who these fellows are? How are our employees supposed to recognize them?” You know, they were all out-of-towners: Los Angeles, Kansas City, Chicago . . . Sam Giancana from Chicago was one of them, and Tom Dragna from Los Angeles was another. And the Civella brothers from Kansas City were couple of more. So the casinos said, “Here you’re going to take our license away if we cater to these people. How are we supposed to know who they are?” It actually wasn’t very well received by the Gaming Control Board staff either. I think the staff pretty much regarded it as a publicity stunt, that the Board and Commission were just trying to show how tough they were.

Did the Commission push for the “Black Book” more than the Board?

I’m not sure of that. But, of course, it was up to the Board to enforce it. One of the original names in the “Black Book” was a fellow named Marshall Caifano. He went by the name of Johnny Marshall. He spent a lot of time in Las Vegas, and I believe he had business interests here in Las Vegas. He was defiant over this new “Black Book,” and he made it a point to test the Board. He would regularly go into the casinos just to see what we would do. The chairman said, “We’ve got to do something about this,” and he put together teams to follow Johnny Marshall around town. I remember one stretch in the winter of 1960. Myself and another fellow were on the swing shift, and it was our job to follow him from about seven at night till seven in the morning. Johnny Marshall was sweet on Roberta Linn, the singer. Well, she just happened at that time to be appearing in the Stardust lounge. Every night he would go in there and listen to her, and when she would finally end her last set, which would be around three in the morning or so, they would go someplace and have breakfast. And we’d follow them. I remember them going to the old Colonial House on the Strip several nights, and he knew we were following him. We’d be sitting at the bar while they ate, and he’d send us over a drink.

[laughter]

One day they went to the Golden Nugget, and had breakfast there, and, of course, we followed them. She was staying at the Diplomat Apartments on Paradise Road and when he took her home one night in this taxicab they got out, went in together, and we’re sitting out in this car in the cold waiting for him to come back out, but he never did. So naturally we thought, “Well, he’s spending the night with her.” But what he did was he gave us the slip. He went out another door, and some other agents picked him up on the golf course the next morning.

[laughter]

Anyway, Ray Abbaticchio really rubbed the industry the wrong way over the enforcement of this “Black Book.” And I think it probably led to his not being re-appointed.

Did he purposely go into casinos where he knew Marshall would be?

Yes, sometimes he’d go in by himself. I’ll never forget one incident. I wasn’t there— it happened

earlier in the evening—but I was told about it by the people who were there. Johnny Marshall was in the lounge of the Desert Inn, sitting there with two or three of the Desert Inn hosts that he knew. Some staff from the Board was there, and I think Ray Abbaticchio was there, too. There was a party being held in the Desert Inn Country Club and one of the owners—I think it was Allard Roen—went in the casino, got behind Johnny Marshall’s chair and pulled him right out that front door right into the driveway. And the people who saw this said, [laughter] “It was an astonishing sight to see.” The Desert Inn, amongst others, had been put on notice: “Hey, you’re catering to this guy. You’re allowing him to come into the casino and you’re putting your license in jeopardy.”

So when Mr. Roen saw him he just made sure he got out of there.

Right. And, as I said, Ray Abbaticchio really ruffled feathers. I was told by two different sources that the industry in Las Vegas sent the governor a message: “You either get rid of him or we’re going to get rid of you.” What they meant by that was we’re going to defeat you at the next election, because Lieutenant Governor Rex Bell had already announced that he was going to run for governor in 1962. And so in 1961 Ray Abbaticchio was not reappointed.

Did Mr. Abbaticchio show any prejudice to the casinos that catered to the excluded people?

Oh, yes. Those that he thought were in non-compliance he gave orders to the agents to harass them. They’d go right up the tables, stop the action and pick up and check the dice and do it over and over again. They might question whether or not somebody had had too much to drink and maybe shouldn’t be gambling and things like that. I think he was trying to make them look bad and trying to harass them so much that they would say, “Uncle, we give up. We’ll comply.”

Was one of the reasons for the creation of the “Black Book” because of the possibility of skimming in Nevada casinos?

No, I don’t think so. I’d never heard that mentioned in the board offices. This concern about the skimming came up a few months later, after the presidential election in 1960. As you’ll recall, the new president, John Kennedy, appointed his brother, Robert, as attorney general, and right away the new attorney general showed a real hostility towards Nevada’s gaming industry, which caught everybody by surprise, because the gaming industry had really supported J.F.K. in the election. They thought they were going to have a real friend in him. All of the Kennedys had spent a lot of time in Nevada, both in Las Vegas and at Lake Tahoe. The Rat Pack had been close to J.F.K. for several years, and they worked hard for his election. So when his brother Bobby showed all this hostility towards Nevada’s gaming industry right after he took over they were all surprised. They just didn’t understand it, and they felt betrayed.

Was Grant Sawyer governor then?

Yes. And, you know, in retrospect, it’s a fortunate thing for Nevada that he won the governorship in 1958 and not Charlie Russell. Charlie Russell was a wonderful, wonderful man; personally, I just adored him. But looking back, if Charlie Russell had been re-elected in 1958 instead of Grant Sawyer there’s no telling how bad it could have been for the industry, because when Bobby Kennedy started

making it known what his plans were for this state, the few people who knew it were not only surprised, they were panicked, starting with Governor Sawyer. The reason I know all of this is because of Ed Olsen. He was not the chairman of the Gaming Control Board yet, but he had been hired on the staff as a public information officer. He and I shared an office and we became very, very close, and it is obvious that Ed Olsen also was very close with the governor. It was sometime in the spring of 1961—I'd say probably about March or April—when Ed Olsen confided to me that the governor had been going back to Washington, D.C., meeting with both the attorney general, Robert Kennedy, and the president himself; that the attorney general had said he was convinced the gaming industry in Nevada was thoroughly corrupt, that all the places were skimming massive amounts of money, and he wasn't going to tolerate it; he was going to have the federal government take over the industry in Nevada. The first thing he was going to do was send hundreds of federal agents—FBI agents and Internal Revenue agents—into the state, place them in all the casinos and have them count the money, et cetera, et cetera.

Ed Olsen told me that the only way that Governor Sawyer was able to hold the attorney general off on those plans to come in and take over control in Nevada's gaming industry was when he went to the president himself and pleaded the political argument. He told the president, "If you do this you'll destroy me. I can't be re-elected. You'll ruin the Democratic Party in Nevada for years and years, and you won't be able to carry Nevada in the 1964 election." Ed said on that basis the president backed his brother off, but the governor had to agree to one thing, that we would do our best to get to the bottom of the skimming allegations. So Ed Olsen came to me and said, "Is there any way we can go about doing this?"

And I said, "Sure."

And he said, "How?"

I said, "We'll set up undercover teams who will count a given table for a given shift. And then sometime later—a week, two weeks later, whatever—we'll send in a couple of our auditors and ask to see the stiff sheets. Won't tell them from what shift, and they'll just look over a whole bunch of them and they'll take down the figure that we're looking for."

Would you explain "stiff sheet" to someone not familiar with the term?

Oh, yes, that's a gaming industry term. It's a big sheet of paper that lists each game, and when the game is counted you write down on the sheet what the drop and the win was for that game.

Ed said, "Do you think this is possible?"

I said, "Sure." So I went and got a couple of little pocket counters and took Ed up to Lake Tahoe. We went to Harrah's Tahoe, and I said, "All right, you go to that end of the crap table and I'll stay on this end." I said, "I'll make a little signal, I'll put my hand through my hair and we'll start counting at that point for twenty or thirty minutes. Then I'll give you the same signal to stop, and we'll wander out and compare totals." We did and he was astounded that we were right on the button. It was really quite easy to do, so he went running back to the governor, told him that he thought it was possible for us to do this. So the governor gave me the green light and told me to start putting this thing together. Then I thought who could I use to do this count. These were just part-time positions. I thought of fellows I'd gone to college with, and I started contacting them and they were all anxious to do it. They were mostly school teachers and school administrators.

How many people did you select for this count?

I think I used teams of eight. We worked mostly in Las Vegas, but we did Reno, too, and Lake Tahoe quite a bit.

Oh, would you assign two people to a crap table?

No. All eight would work a table during the shift generally for thirty minutes. And we just kept rotating.

Did you do a count for the entire shift, the entire eight hours?

From the moment the box went on the table to the moment it came off. Yes, till they took that paddle out.

Did you observe all types of games, like craps, roulette, and twenty-one?

Only craps and occasionally twenty-one, but mostly craps. They were easier to count, for one thing. When I say “easier” I mean easier in the sense that you could maintain your anonymity, because there were crowds of people standing around the crap table. The most work to this thing actually was the logistical work, setting it all up, getting plane reservations and automobiles and room reservations and that type of thing. A lot of work. And then afterwards, collecting the counts, totaling them all up, and then sending in our auditors. It didn’t take very long until the results started to be significant. It’s probably going to surprise some people when I say that the two-year study showed that by and large there were only a handful of casinos in the state that were skimming. The big, big majority of them *never* skimmed a penny. And you could see which ones weren’t skimming right away when you looked and saw who participated in the count. If you had a situation when a couple of the individual owners themselves were the only ones who participated in the count, that raised a red flag. Those were the places that skimmed. But the places that had just count teams of employees doing the counting—Harrah’s, Harolds, most places—they never skimmed a dime. Specifically, we found there were only two major hotels in Las Vegas that skimmed. They were the Flamingo and the Riviera.

And this was over a two-year period?

Yes. Right.

Did those teams work seven days a week?

No. They would work down here in Las Vegas only during the school years, particularly on long weekends, holiday weekends—Thanksgiving vacation, Labor Day vacation, Christmas time, and so forth. Then in the summer we’d work a lot in the Reno and Tahoe area.

Did the Kennedys ever see those results?

You know, I’m not sure. I would prepare them and Ed Olsen would take them to the governor. Another interesting thing about that is that the Board—or at least the chairman of the Board, Ray

Abbatechio—was out of the loop on this project. He did know about it, because every now and then he would make a remark to me, something to the effect of, “I understand the project is going pretty well,” something like that.

And I’d say, “Yes, it is.”

[laughter]

And other than that it was from Ed Olsen straight to the governor. I thought about that a lot: “Why isn’t the chairman of the Board in on this?” And, of course, I can’t answer that. I can only speculate. It may have been because he had already come into disfavor with the governor by that time over his enforcement of the “Black Book.” That’s a possibility. It might be because of his FBI background. Maybe the governor didn’t totally trust him in this matter. I just don’t know. But I think it’s an interesting thing, that he was out of the loop.

Did you say that at that time Ed Olsen was only the public information officer?

That’s it. We actually started this program in the late spring of 1961, and we were still doing it when I left the Board in the late summer of 1963. I think they continued it, actually, for a little bit beyond that.

So the only problems you found were in southern Nevada: the Flamingo and the Riviera?

We did find one in northern Nevada: Cal-Neva Lodge, Lake Tahoe. But that’s all. There were a few places we would count and we’d never find a discrepancy, and then we’d count it again after maybe having counted the place a half a dozen times, and there’d be a small discrepancy. Our count would be a little bit over the casino’s. So I would wonder to myself, is this a case of the owner saying, “Well, we need a little bit of walking-around money for the next week or two,” so they might go in and take a few bucks off? But they weren’t doing it regularly. I characterize those results as inconclusive. But there were only two places like that here, and only one in northern Nevada.

Did you count smaller casinos in towns such as Winnemucca, Lovelock, and Fallon?

No, we didn’t. We did Carson City. And we even did the smaller ones at Lake Tahoe on North Shore. We did just about every one in Reno and Sparks.

You asked the question a moment ago, “Did the governor make these results available to the Kennedys?” And I don’t know for sure whether he did or not. You see, overall the picture was pretty good for the state, so he may have just given him the overall results. I can’t answer that question.

But, of course, eventually the Kennedy group did back away.

Of course when J.F.K. was assassinated in 1963 his brother resigned as attorney general not too much long after the assassination. When he resigned there was a great big, collective sigh of relief here in the state of Nevada. Oddly enough, though, the federal government intervention in Nevada did not cease, as a lot of people had hoped, once L.B.J. became president. The FBI was involved in massive illegal

wiretapping and some burglaries down in Las Vegas in 1963, 1964, 1965, and I think into 1966. And, of course, that is what led to the big blowup between Governor Sawyer and J. Edgar Hoover. Governor Sawyer made the charge that the FBI decided that the Constitution didn't apply to the state of Nevada, just to all the other states.

[laughter] Was J. Edgar Hoover the person who was pushing the FBI to continue the wiretapping?

I believe so.

Were there hard feelings between Hoover and Sawyer?

Oh, yes, but I don't think there were originally. I think originally the hard feelings were between Governor Sawyer and Bobby Kennedy. But after Kennedy was gone a lot of this stuff continued, and so then the focus shifted to J. Edgar Hoover.

Do you feel that the accusations Hoover made against Sawyer were partially to blame for Sawyer losing the election to Laxalt?

I've heard it both ways. I was no longer with the Board during the 1966 governor's race, and I was actively involved in the Laxalt campaign effort. In fact, I was doing all the public opinion polling for Paul Laxalt.

Well, to interject a minute, when and where did you first meet Paul Laxalt? Were you on the Board at that time?

I was on the staff. I didn't actually meet Paul until probably in the early 1960s. I'd gone to school with one of his brothers, Peter, who we all called Mickey. And I was friendly with quite a few people around Carson who were very friendly with Paul Laxalt: Jerry Dondero, Ed Allison, and John Tom Ross, who was his brother-in-law. One thing led to another and when I did get to meet him we became friendly. In the summer of 1963, he told me, "The Republican Party has got to get more organized and involved." And he said, "We're going to create the position of statewide executive director, and I'm going to see that they offer you the position. Would you be interested?"

I said, "Gosh, let me think about it." I had become somewhat disillusioned with the Board. I couldn't understand why they wouldn't do something about the few places that were skimming. I used to have long discussions with Ed Olsen about this.

Had Olsen replaced Abbaticchio?

Yes, he replaced him in 1961. Ed and I were close. I had long, long discussions with him about lots of things. I thought someday I might like to be on the Board, but I didn't think that I was ever going to be appointed to the Board from the staff, although Ed himself had gone from the staff to the Board. But he was the only one. There was another vacancy, and I thought David Malcolm, who was then head of the audit division, really should have received it, but the governor appointed Butch Leyboldt, the sheriff of Clark County. So I said to myself, "I'm at a dead end here." I didn't think there was any possibility that

Grant Sawyer was going to run for a third term, because the perception around Nevada was that he had made such an issue over Charlie Russell running for a third term back in 1958 that how could he do it? It was just a given that he wasn't going to run for a third term. Of course, he did, which surprised me. But anyway, putting that all together I thought, "Oh, what the heck, this is a good opportunity." So I told Laxalt "Yes." They created that new position, executive director of the Republican Party for the state, in the summer of 1963. I resigned from the Board and was named to that position in August of 1963.

What were your job responsibilities or duties there: to tie the Republican Party together or to create a better image?

Oh, not so much image, but mainly to get the party organized in Clark County. There virtually was no Republican Party in those days. The registration was three-to-one Democrat, and they didn't have a headquarters, so I got involved raising money to get a headquarters open. Interesting story in that regard: there was an insurance salesman named Paul McDermott who had been on the old Tax Commission, and he was a strong supporter of Paul Laxalt—good friends. And I said, "I need your help. I'm trying to raise some money down here to get this party going."

So he said, "All right." And he arranged some appointments for me. I remember one of them that I thought was really significant: he arranged an appointment with Moe Dalitz for me. I remember sitting across the desk from Moe Dalitz—very friendly, real gentleman. He nodded his head and he said, "Yes, we need a strong two-party system." He said, "I'll help."

We said, "Now, we're not asking for a lot of money. We're only going to ask for five hundred dollars. We just want everybody to give five hundred dollars."

He said, "Well, you ought to hold a big dinner and sell tables of ten for five thousand."

We'd just held a dinner a few weeks before that at the Stardust, and raised a nice chunk of money. But anyway, I remember Moe Dalitz picking up the telephone and calling owners of a number of other casinos on the Strip. He was very friendly about it, but it was really almost an order to them. You know, "We're all going to do this, and we're counting on you also. So I'm going to put you down and tell them yes." [laughter]

As part of your job did you become a pollster?

Well, yes. Actually I started that when I was on the Board and doing some polling. I told you about the one job up in Idaho, and I actually did a little of it in the 1962 election, dabbled in it a little bit.

Were you hired to do that?

No, I just did it kind of as a hobby. Of course, a lot of my professional training was in sampling theory, probability theory, and so forth.

To get back to J. Edgar Hoover and the 1966 election, let me say this first. Paul Laxalt had already decided he was going to ask Ed Olsen to stay on as chairman of the Gaming Control Board, and he authorized me to tell that to Ed, which I did. Then late in the campaign I heard on the radio one day in Carson that Ed Olsen, chairman of the Gaming Control Board, had compared J. Edgar Hoover to Hitler. My heart dropped into my stomach. I got on the phone to Ed, and I said, "Ed, what are you doing?"

He said, "What are you talking about?"

I said, "I just heard on the radio that you compared J. Edgar Hoover to *Hitler*."

He said, "What! I said *no such thing*." He called me back an hour or two later and he said, "I said it." [Mr. Pearson makes this last remark with an inflection to reflect Mr. Olsen said it with a regretful tone.]

I said, "What happened?"

He said, "They convinced me that the statement has to stand. I've got to swallow it. I said it."

I said, "You know what this means, don't you?"

He said, "I know. If Laxalt wins the election I'm gone."

I said, "That's right."

So then Governor Sawyer himself took another shot or two at J. Edgar Hoover. Then Paul Laxalt and I and a couple of others huddled, and Paul said, "My goodness. I privately agree on principle with some of the criticism of the FBI." (In fact, Paul Laxalt was the very first one to criticize the wiretapping publicly. He did it in 1963 at a Republican fundraiser at the Stardust Hotel.) But he said, "I think I'm going to win this election, and we can't have J. Edgar Hoover and the FBI on our backs." So he issued an apology to J. Edgar Hoover on behalf of the state of Nevada. Well, some of our political people down here thought that was a big mistake. Paul McDermott thought so. Bob Brown, who was the editor of the *Las Vegas Review-Journal*, he thought so. And some of the people in the gaming industry thought it was a big political mistake. They said, "You've lost the election. You just lost the election when you apologized to Hoover." So then Paul Laxalt asked me, "What do you think?"

I said, "There's only one way to know. Let's go back out and we'll poll again." We had just finished a day or two before. "We'll do it again." I put it together fast and we went back out and we polled again. No change whatsoever. It hadn't made any difference one way or the other.

That's strange. You think it would have brought it up or down one way or the other.

Yes. It had no effect.

So, of course, the end of the story is that Grant Sawyer lost the election.

And again, as it was fortunate for the state that Sawyer had been elected in 1958 so a Democrat was governor when the Kennedys came in. Again, it was very fortunate for the state and the gaming industry that Sawyer lost. If he'd happened to win, oh, my goodness, no telling what would have happened, how this industry would have been harassed by the FBI. In fact, J. Edgar Hoover phoned Paul the night of the election when NBC declared Paul the winner of the governor's race. Hoover called him immediately, congratulated him, and said, "I'm looking forward to working with you and we'll have a good relationship, et cetera, et cetera."

Were you considered to be an efficient pollster?

Yes, I didn't have very many problems. Of course, I was about the *only* pollster. You know, if you're the only one that makes you the best, but it also makes you the worst.

What campaigns, prior to or after the 1966 campaign, did you work on?

In 1964 he ran for the senate against Howard Cannon and lost by forty-eight votes statewide. I was involved in that campaign, and then again in 1966. Later on when he ran for the U.S. Senate and won in 1974, I was deeply involved, as I was in 1980 when he was re-elected.

So you worked with him on several elections?

Oh, yes.

Were you considered to be an optimistic campaigner?

I regarded myself as a realist. My philosophy in life generally has been to assume the worst is going to happen and then try to see that it doesn't. Or if it does, make the best out of it. I've approached everything that way, not only politics.

Did Governor Laxalt have a nickname for you?

Oh, he didn't so much, but the others did. They called me "The Embalmer," because they thought that I wasn't optimistic enough. They would say, "*This* is going to happen," all these *good* things were going to happen, and I'd say, "Well, maybe not."

[laughter]

[laughter]

So they were comparing you with an undertaker.

Right. *[laughter]*

Do you feel that your opinions and your judgments had an impact on several of Mr. Laxalt's decisions regarding his political career?

Well, he'd be a better one to ask than me, but since you asked me, I'd say probably yes, particularly in 1964 and 1966. He gives me quite a bit of credit in his book⁷, stating that I had a major impact upon his decision to run for governor in 1966.

You had his ear, you might say, at that time.

Yes, I think so.

When Paul Laxalt became governor in 1967, who did he appoint to the Gaming Commission and to the Gaming Control Board?

⁷ The book is entitled: *Nevada's Paul Laxalt: A Memoir*

What he did, in effect, was to fire almost everybody on both the Board and the Commission. He asked for their resignations—all of them except Norman Brown. In those days, even though they were appointed for terms, the board members and commission members served at the pleasure of the governor. Governor Laxalt was unhappy with both the Board and the Commission, except for Norman Brown and Ed Olsen, who I indicated would have been retained had not Ed uttered that unfortunate quote comparing J. Edgar Hoover to Hitler. So he appointed three new members of the Board: Alan Abner, the chairman, from Reno, who had been in advertising and public relations work; Keith Campbell from Las Vegas, who had been the undersheriff; and myself. On the Commission he asked Norman Brown, the rancher from Smith Valley, if he would stay on, and Norman agreed. The other four members were Henry Berrum from South Lake Tahoe, who had been in the legislature, and three from Las Vegas: George Dickerson, an attorney, and former district attorney, was named chairman of the commission; George Von Tobel, from a prominent business family in Las Vegas, who, I think, had been in the legislature at one time; and Dr. Sam Davis, an optometrist who was very prominent in the LDS community.

Was there any one specific person that you replaced on the Board?

No, not really; inasmuch as all three changed at the same time, I wouldn't say so.

Were you in charge of any specific division?

Yes, I was in charge of the audit division. We would all commingle, get involved in other divisions, but my main responsibility was the audit division.

You were appointed to the Board along with Alan Abner, but he left after only a few months on the Board. Who replaced him as chairman?

Frank Johnson, a journalist who had worked for Reno newspapers. We had hired him originally as a public information officer; however, when Abner left, Frank took his place.

Your first year on the Board was a very important year in gaming history. What do you think was the most important event that took place your first year?

I suppose you could make a case for the arrival of Howard Hughes. That was certainly the most noteworthy. Of course, the story is that that Howard Hughes arrived here Thanksgiving evening and took the suite at the top of the Desert Inn and allegedly refused to leave over New Year's when they wanted it for a high roller. So he said, "How much do you want for this place? I'll buy it."

[laughter]

And I think that's a true story, because I've had the owners of the Desert Inn at the time tell me that that actually happened.

You said that it was the most noteworthy event. Do you also feel that it was the most important event that happened your first year on the Board, or was there something else that overshadowed it?

I'm not sure it overshadowed it, but there was another very important thing that happened. I went to Paul Laxalt before he even became governor and told him that I believed strongly there were some deficiencies in the statute covering gaming control. One in particular simply had to be changed, and that was the statute which specified what penalty the Board and Commission could use to punish a casino for an infraction. The only penalty available at that time was license suspension or revocation. That's all. Nothing else. In other words, the death penalty, no matter how trivial the offense. As a result, the industry was well aware that the Board and Commission were not going to suspend or revoke the license of a major hotel-casino. The economic and political consequences were too great. They simply were not going to shut down a hotel-casino in Las Vegas that employed two or three thousand people or more.

I had had a lot of discussions with Ed Olsen about this, and he, in effect, said, "We simply *can't* shut these places down." I was arguing that sometime the Board and Commission should set an example—as reluctant as they were to do it. We should take the license away from one of these places to set an example for everybody else to get them to shape up, because there was quite a bit of casino cheating going on in Las Vegas right on the Strip during the 1960s.

They were cheating the customers?

The customers, absolutely. Quite a bit of it. And it was known to quite a few people, too. So I told Paul, "Paul, we simply *have* to change the law so the Board and Commission can impose additional penalties."

And he said, "Well, like what?"

I said, "Fines. Give the Board and Commission the power to fine these places with no limit." So he asked Bill Sinnott, who also was a former board member, who was then an assistant of his, to get together with me to help draft some suggested changes in the law. So we did. There were others that we drew up too, but I feel that was the main one. That's the most important one. And, of course, as you're probably aware since then, the Board and Commission have used that punishment hundreds of times and have, on occasion, fined some of these casino licensees some, whew, *astronomical* amounts, much more than I ever had in mind when I told the governor we had to do this.

It's certainly on a par with Howard Hughes coming into town. Howard Hughes is gone, but the fines have become larger and larger.

To get back to Howard Hughes; his first purchase, of course, was the Desert Inn. Did Mr. Hughes ever appear before the Board?

No, nor any place else that I am aware of.

[laughter]

Although there's one theory held by some of his own people that he did travel around town, even around the state, in disguise. There's a fellow named Perry Lieber, who had been with Hughes in Los Angeles as a publicist, who followed him to Las Vegas, and later on became general manager of the Landmark Hotel-Casino when Hughes bought it. Perry Lieber told me personally he believes the story is true that Hughes was out in the desert hitchhiking and was picked up by Melvin Dummar, the fellow from

Gabbs. Perry Lieber told me he believes that it actually happened. Perry Lieber also told me he thought there's a real possibility that the so-called Mormon will that Melvin Dummar delivered to the church was genuine. Now, this comes from a fellow who had been with Howard Hughes for *years*.

Was it customary, or was it mandatory, in 1967 that the applicants had to appear before the Board when applying for a license?

No, it was neither mandatory nor customary. The conference room that we used for the hearings for both the Board and Commission was a little conference room down in the old Industrial Commission Building on East Musser Street, just about two blocks due east of the capitol building. That place only accommodated, jammed full, maybe a hundred people. If we were to tell everybody they had to come, we would have had to find a different place. So we discouraged people from coming unless there was a problem with their application. We had our office manager send out a letter each month to all the applicants who were going to be on the agenda, informing them, "You're going to be on this month's agenda"—for the board meeting such and such a date, or the commission meeting such and such a date—"Your attendance is not required. You're welcome to come if you like." And for those that we *wanted* there we would say in the letter, "Your attendance is required." So I would say over the years, during the Sawyer and Laxalt administrations, probably a maximum of 20 percent of the applicants were at those meetings.

That's interesting because some people have made an issue of the fact that Laxalt just more or less gave Hughes a license without him having to appear. It sounds as if it wasn't such an uncommon thing.

No. It was not until the 1970s that the Board decided to require all applicants to appear. Personally, I think it's a big mistake. I mean, why make some little mom and pop operation in Las Vegas that's going to put a couple of slot machines in some place spend all that money to travel to Carson City, not once but twice, for a board meeting and two weeks later to a commission meeting, when you've already decided you're going to give the guy a license. I don't think it's right. Certainly Hughes wasn't the only applicant who didn't ever attend any of our meetings; hardly any other notable applicant attended the meetings. I don't ever remember seeing Bill Harrah show up at any of the meetings when one of his properties was licensed for something, or Harvey Gross, or most of the rest of them. A fellow that used to come was Del Webb. He'd show up all by himself. He wouldn't bring an attorney, nor anybody else. And he would sometimes come by himself to attend little private meetings with us. [laughter] He was just a delightful guy.

Did Governor Laxalt ever apply any pressure on the Board or the Commission to approve Mr. Hughes's application?

No. But he did intercede and use pressure, if you want to call it that, to *not* let him proceed on acquiring a property. The governor and all of us had an agreement with Bob Maheu, who was Hughes's representative, that after the purchase of the Landmark, that was to be his last acquisition. By then the Justice Department's anti-trust division was starting to stick its nose into it and was threatening to intercede and investigate whether or not there was an anti-trust matter involved here. And when we found out that Bob Maheu was holding some discussions with the Dunes, well, the governor hit the ceiling and

he told us that that's the end. He also called Bob Maheu and told him, "That's the end." And he chewed him out pretty good for doing that after he'd had that agreement with him there were to be no more licenses.

Some people have said that Howard Hughes was the savior of Nevada gaming. What is your feeling on the importance of Hughes coming into gambling at that time? Was he a savior?

I'm not sure if I would say he was a savior. Had J.F.K. lived and been re-elected in 1964, and Bobby Kennedy was still attorney general, then perhaps, and probably, Hughes coming to Nevada would have been more important with respect to maybe saving the industry, if you want to use that term. But Hughes's coming to *Nevada* certainly was good for the *image*, both in and out of the state. It just caught the attention of the entire country. Opinion polls I used to see showed that the people in the state of Nevada thought it was a good thing. The percentage of approval was in the nineties. So certainly from the PR standpoint it was good.

Did people feel that Hughes had eliminated an unsavory element?

Yes, there was that type of conjecture. Personally, I didn't cater to that notion so much. I knew all of those people. I thought most of them were gentlemen, and were honorable, honest people, people of their word. There was one property that he bought where we were glad he interceded, and that was the Frontier.

Because there were some unsavory people in there?

Well, we just weren't comfortable with them.

Oftentimes when he purchased a property he would remove the owner, but did he keep a lot of the same people as operators?

Yes, the good people he kept. That's true.

* * * * *

Earlier you asked me about important events that happened in 1967 that were really important, and I would like to add one more thing. The new governor persuaded the legislature to pass legislation legalizing public ownership of Nevada casinos. That was really important, particularly, thinking in terms of what's happened in the last ten, fifteen years. Without public corporations you couldn't build a major casino in the state today. No one individual has that kind of money anymore.

Yes, the Corporate Gaming Act opened a lot of doors.

And there was a lot of opposition to that act. Grant Sawyer, for one, was opposed to it, as he has admitted publicly since then. And there is some irony there because he really benefited from it later on after he was no longer governor. He joined the Lionel Sawyer & Collins law firm and he ended up

representing a lot of the public companies and making a fortune. [laughter] He admitted in later years how much he'd benefited from it.

I would say you could make a case that that has saved our industry, considering how many other states now have legalized gambling. With the advent of Indian gaming in neighboring states and the competition that it is giving us, without these great big, huge, new super hotel-casinos we wouldn't be competitive anymore.

Didn't Steve Wynn recently break ground on a new casino?

Yes, he did, just a couple of weeks ago.

That's the Le Reve?

Yes. And he went public. From what I read in the papers they had a little bit of difficulty on the IPO, but they finally got it off the ground, and they have had groundbreaking ceremonies. I think a billion and a half dollars was the construction cost figure that I've read.

To get back to Howard Hughes, I've heard stories that there were late-night telephone conferences between the board and commission members to speed up the approval of Mr. Hughes's license. Were you involved in any of those late-night calls?

One time. It wasn't a license application as such; it was when they bought the Frontier. Their attorney, Tom Bell, another UNR graduate, had kept us apprised that they were negotiating with the Frontier, and we said, "Be our guest. We encourage that."

And he said, "We'll keep you informed. We're going to be acquiring all of their assets, including the bankroll—all the cash. When we sign that contract we want you to give us permission to go in there immediately and participate in that operation so we can watch the cash."

We told him, "All right, you let us know once you sign that contract." One night I'm in Carson City—that's where I lived—and I get a call from Tom Bell. It was about nine o'clock at night and he said, "We just signed the contract." [laughter]

[laughter]

He said, "Can you get it on?"

I said, "I think so." And so we used the emergency provision in the gaming regulations. It only requires three commission members in order to use this provision to allow somebody to participate in an operation on an emergency basis while their application for the license is being considered. So we did that to allow them to get in there and watch the bankroll.

* * * * *

What were some of the major problems or situations facing gaming regulators in 1967?

Electronics is one area where we spent a lot of time. That was part of Governor Laxalt's

legislative package that he sent to the legislature. It had a provision for the licensing of manufacturers and distributors of electronic games. Later we drafted regulations to implement it. We spent a *lot*, a lot, a lot of time on that. It's probably a good thing we did because that's when the electronic games were starting to come into vogue. We also adopted a whole new Regulation Six regarding accounting procedures. A lot of the casinos didn't like it too much. They said, "You're piling so much work on us, we're going to have to put clerks right in those pits."

[laughter]

We said, "Well, why don't you?" And so a lot of them did. They usually would employ women. They'd sit right there in the pit. They called them pit clerks and they would record credit and things like that.

At the same time we instituted new counting room procedures. We forbade individual owners from participating in the soft count. The "soft" had to be counted by non-owners. "Soft" is a gaming industry slang term for currency.

How many people were required to be in the count room?

We said, "You have to set up three-person counting teams, and you have to supply us with the names of the individuals who would participate in those teams." And, of course, the threat was when we made periodic visits and saw somebody in there counting who wasn't on the list they provided us, then they were in trouble.

Would you say that the count room is the most vulnerable area in a casino?

Yes. Although I have to say I was really surprised and kind of dumbfounded by what happened years later in the Stardust, when they skimmed the hard count room⁸. Jay Vandermark was the mastermind of that. I had never considered that possibility back in the 1960s. For one thing, a lot of the places in Vegas didn't even *have* many slots. There was a time when they had *no* slots. They thought slots detracted from the class of the casino. And they finally—sometime in the late 1950s maybe—said, "Well, we'll put a few in just to keep the women occupied while their husbands are shooting crap. But we still don't like them very much." They were too noisy. The slots were not considered a major part of the casino operation, and so I never thought much about skimming the slots. I gave it a little bit of thought, but I said, "God, how would you go about it?" It seemed to me so difficult and that you'd have to employ other people, and other employees, so I pretty much discounted it as being a threat. But yet it apparently happened in the Stardust later on in 1976.

It is interesting that you bring up how the source of revenue has changed over the period of years. It used to be mainly from craps, and then twenty-one became stronger, and now, of course, the slot machines are the dominant source of revenue.

Right. And another change, of course, is that now—for most of the hotels I believe this is

⁸ The hard count room is where the money from the slot machines is counted.

accurate—non-gaming revenue actually exceeds gaming revenue.

Yes, that goes along with that new philosophy that each department must be self-sustaining.

Yes. And I'm not sure I like this new trend. For one thing, it makes it awfully expensive for locals to take relatives and friends from out of town to these floor shows at the price they charge.

* * * * *

In 1963 Frank Sinatra gave up his gaming licenses at the Cal-Neva Lodge and the Sands after a disagreement with gaming regulators. In 1967 he became embroiled in a fistfight with Carl Cohen of the Sands Hotel-Casino in an argument over credit. Did you know Mr. Sinatra?

Yes, I did, but not while I was with gaming control. It was some years later when I was with the university, and every year he would put on a big concert—a fundraising concert—for the athletics department, and I was in charge of it.

It started out at Caesars Palace as a sit-down dinner, and it got to be very big. We had three thousand five hundred people to a sit-down dinner in Caesars Palace, and Frank Sinatra put on a tremendous show. I think the first time I met him was that night. We had a private little party for the members of the Board of Regents, some of the people from the athletics department, and Frank Sinatra and some of his friends. I was supposed to have dinner with him in 1966—shortly after the election—in the Sands Hotel one night. It was put together by General Charles Barron, who was an employee there who knew Sinatra. It was to be the governor-elect, Paul Laxalt, and his wife Jackie, Alan Abner, myself, and Charlie Barron. But something came up and the governor wanted me to go hold hands with Bob Brown, the editor of the *Las Vegas Review-Journal*—I guess maybe by this time the former editor. He was unhappy about something, and Governor-Elect Laxalt wanted me to go hold his hand. So I went and did that with Bob Brown, and I didn't get to have a private dinner with Frank Sinatra like the others did.

You know, at the time it didn't bother me at all, but now it bothers me a little bit.

Do you recall when Sinatra got in that argument with Carl Cohen?

I remember the incident very well. Sinatra had been gambling and drinking and partying all night long and had got out of line. Carl Cohen wasn't in a particularly good mood either, and so he popped him. [laughter]

Was there any disciplinary action taken?

No, as Sinatra wasn't a licensee at the time.

Were you on the Board when Sinatra got licensed?

No. However, I was on the staff in the early 1960s when he got his license at the Cal-Neva Lodge.

Did Ed Olsen ever talk to you about his problems with Sinatra?

We talked some about the Cal-Neva Lodge. You know, there was even speculation that Joe Kennedy, father of the Kennedy brothers, had a piece of the Cal-Neva. It was pure rumor and speculation and never any proof, but he used to spend quite a bit of time up there, or at least *some* time up there. I personally saw him up there in the early 1960s. I saw him in the pit like he was an owner, walking around conversing with pit bosses.

There was a pretty well-founded rumor that Ted Kennedy spent quite a bit of time up there right after the Democratic Convention in 1960. In fact, some people said that he ended up in the family doghouse because they thought that he wasn't paying enough attention to the campaign. Supposedly he was in charge of the campaign in the western states, and Kennedy didn't do very well in the western states. They were looking for a scapegoat, and so they made poor young Teddy their scapegoat because he was spending too much of his time partying at the Cal-Neva Lodge. But that's all rumor. [laughter]

* * * * *

The Frontier was operating during your time on the Board. Did you have any problems with that property?

We weren't happy with all the persons licensed. The outgoing Board and Commission the last month prior to the Laxalt administration taking over in 1967 found the Frontier and all of the applicants who had applied for a license suitable for licensing. The attorney general gave the opinion that the licensing was proper and that we were stuck with it; however, a few more applicants came in later on and we were able to deny them because we didn't like their backgrounds.

Who were the people that were licensed at the Frontier by the previous regime?

They were a group headed by Maurice Friedman and Anthony Zerilli, and most of them were from Detroit. In later years the federal government indicted several of them for various cheating scams. Of some note and interest, one of those licensees of the Frontier was none other than Steve Wynn. This was his entry into Nevada gaming. He was a young fellow at the time, still in his twenties, out of Maryland, as I recall. He just had a small interest, maybe five percent. But that started Steve Wynn in Nevada, and he went from there.

Did you eventually get rid of the unsavory people that were in the Frontier, or did they sell out?

What happened was Howard Hughes decided to buy them out, and naturally we encouraged him all the way.

* * * * *

Would you tell us about the original Circus Circus application?

That was an interesting application. That was one of the biggest ones that came along in our new

administration. It was also in 1967, as I recall. Circus Circus was the brainchild of Jay Sarno, who, along with Nate Jacobson, built Caesars Palace. The Circus Circus was probably the first real licensee in the state that deliberately tried to be a family-themed hotel-casino. It was originally just a casino; the hotel was built later. Some of the members of our commission weren't too happy about Circus Circus's idea of mixing kids and adult gamblers. And on top of that it had a real adult aspect to it. There was a closed booth, where you could stick in quarters, push a button and a pretty young woman would stand up and dance topless. And it was right where the kiddie games were. Our commissioners weren't too sure about licensing the Circus Circus.

[laughter]

My recollection is they only gave them a provisional license—a conditional license—for a certain period. I recall it had come to the attention of the Commission somehow that Circus Circus had borrowed some money from a bank, a routine thing, and had not reported it to the Commission as required. The commission then said they were not going to extend their license; they were going to shut them down. And I regarded this as capital punishment for, in effect, jaywalking.

[laughter]

I was appalled. I ran straight over to the governor's office and told the governor and Bill Sinnott about it. The governor was disbelieving. He couldn't believe the Commission would do such a thing. Fortunately, when the matter came up at the meeting, an attorney for Circus Circus produced a letter they had sent to one or the other, the Board or the Commission, notifying them of that loan, so they were off the hook. I don't know what would have happened. I guess the way the majority of those commissioners were sounding, they were not going to renew their license and the Circus Circus was going to be shut down. And that would have, I'm sure, produced a real crisis within the administration. Of course, I don't know what the governor would have done, but I think he would have gotten involved and would have done something.

When they first opened, they charged admission. Everybody who went through the door had to pay an admission. And, of course, that was controversial. A lot of the veteran gamblers on the Strip said, "You can't do that. You can't charge a good gambler admission to the door." But they did! Then when Bill Bennett and [William] Pennington came in and bought it out they changed the policy. It was free admission after that.

* * * * *

Do you have any interesting anecdotes or recollections that you'd like to talk about that happened during your time on the Board, or before?

Oh, gosh. *[laughter]* There were so many. And some, for one reason or other, I would be reluctant to talk about. One I might mention was when I was still on the staff. I'll tell you about an incident we had with a fellow named Edward Thorpe who wrote a book called *Beat the Dealer*. In the middle of winter, January 1963, Ed Olsen, chairman of the Board, got a call from Mickey MacDougall, who supposedly was a real card expert and an expert on magic and cheating and so forth. He was in Las Vegas with Ed

Thorpe and he said that Ed Thorpe had retained him to observe the action while Ed Thorpe was using his card counting method to beat the twenty-one games in Las Vegas. Mickey MacDougall told Ed Olsen that Thorpe had been cheated at quite a few places down here, and he wanted to come up to Reno or Carson and talk to Ed Olsen about it. Ed said, "Well, come on up."

So Ed and I went over to Reno to a motel, the Bundox, right on the river, next to the Holiday Hotel-Casino. Mickey MacDougall proceeded to tell us how awful it was in Vegas, how much cheating was going on in the twenty-one games down here, and how they had really cheated Thorpe. But Thorpe was hot-to-trot to go gamble. He didn't want to stay and talk about all this. He wanted to go next door to the Holiday and start *playing*. [laughter] So Ed Olsen said, "Go with him." Thorpe goes straight to the cashier's cage and bought quite a few green twenty-five-dollar checks. Then he goes over to a twenty-one table and proceeds to lose it all in about fifteen minutes. He lost, I don't know, maybe one thousand, two thousand dollars—quite a bit. Then in the door come Mickey MacDougall and Ed Olsen, and MacDougall says, "What happened?"

Thorpe says, "Well, I lost it all."

And MacDougall asked me, "Did they cheat him?"

I said, "I don't think so."

Then MacDougall said to Thorpe, "Well, you dummy, you're supposed to wait for me. I'm supposed to be with you to protect you."

[laughter]

Then MacDougall said, "Well, all right, let's get going. Let's go up the street." Ed told me to tag along and observe, and so we walk on up the street. The first place we go into was the Golden Hotel and we sit down at a twenty-one table. I'm at first base. Thorpe is sitting at shortstop. Mickey MacDougall's at third base. Ed Olsen had given me a little money to gamble with so I'm gambling a little bit, too. We're playing along when all of a sudden, I saw the dealer, a good-looking young woman, dealing a second. She was bubble-peeking, and from my first-base position, I could see the top card when she peeked.

[laughter]

My God! We stayed there probably two hours. Thorpe lost quite a bit of his money—a thousand dollars, maybe. She dealt him second after second. Now, I'm sick at my stomach, because naturally I assumed if I see it, obviously Mickey MacDougall is seeing it too. When we go out the door, Thorpe turns to MacDougall and says, "Wasn't she dealing me seconds?"

And MacDougall said, "No, she was just lucky."

Whew! [laughter] I told Ed Olsen about that. I said, "Wow." I said, "I thought for sure there was going to be a real, real scene raised." And, of course, I would have had to say, yes, she was dealing seconds. Several months later I became acquainted with the dealer. I asked her if she remembered the incident. She just smiled and winked.

Ed Thorpe made quite an impact on the state of Nevada with his card counting system. Did you ever count cards yourself?

Oh, sure, most every player did, or at least tried. I have a good friend named Sam Blazek. His

nickname is “Black Sam”—an oldtimer. He worked all over the state, and the north end of the lake, but mostly in Las Vegas. I think he’s with an Indian gaming casino now back in Oklahoma. He’s well into his eighties. Good friend of mine. In the early or middle 1970s he ran a twenty-one table at one of those little, tiny sawdust joints in North Las Vegas. The table maximum was ten dollars, and all they had was one twenty-one table. So I started playing. I remember the woman who owned it. Her name was Marie Floyd. Bless her heart, she was the licensee and a very sweet woman. She had a husband named Rush Floyd, a casino executive in the Sahara. Sometimes he’d come down there when he got off duty, but he didn’t work there regularly. So this one night I’m down there visiting with Black Sam, and one thing leads to another and I start to play some twenty-one. I was unusually sharp that night at counting the cards. So I started beating their brains out at ten dollars a pop. Finally she puts her husband in to deal. He comes in and I continue to win. I won their whole bankroll off their table. It was about a thousand dollars. [laughter]

[laughter]

Now she’s crying and feeling bad, so I said, “Here, Marie,” and I gave it all back to her. “I was playing for fun. I don’t want your money.”

[laughter]

Oh, she jumped for joy, and she hugged me and kissed me. [laughter]

We should point out, of course, that counting cards is definitely not illegal. Like you say, anybody that wants to be a good card player should keep track of cards.

Sure, in all card games: poker, pinochle, bridge, et cetera.

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On September 30, 1969 Paul Laxalt announced that he would not run for governor in the upcoming election. You were still on the Gaming Control Board at that time. What was your reaction to that announcement?

Well, naturally I was disappointed. But even though he hadn’t tipped his hand to me or anybody else that I really know of, I wasn’t too surprised. I knew he was not happy being governor. I think it had less to do with the job itself than it did with the effect that he thought it was having on his family. But I resigned immediately. I had been thinking about resigning anyway. Being on the Board, though in some respects it was a satisfying experience, in some it wasn’t. It was not satisfying to me personally. For one thing, I couldn’t afford it.

[laughter]

It only paid fifteen thousand dollars, and it just wasn’t enough. You know, when you travel a lot you get in social situations where you can’t be a freeloader all the time. You can’t expect somebody else

to pick up the check, you got to do it yourself a certain amount of the time. I really couldn't afford it and I didn't get along very well with one of the other persons on the Board. So I had been thinking of going to the governor anyway and saying, "Paul, I'm probably going to have to go."

Were you surprised that he didn't ask your advice? He had checked with you on so many things all his political life.

Oh, I don't know. Sometimes he was that way; he would like to keep things under his hat and to himself. So, no, I wasn't really all that surprised in that regard.

Did Governor Laxalt try and talk you into staying on the Board?

Yes. A number of people came over to my house and tried to talk me out of it, but my mind was made up.

Who did Governor Laxalt name as your successor?

Jack Stratton, who had been the office manager for a long time. Very, very capable fellow. In fact, when we went on the board in 1967 the first thing we did was not only say we were going to keep him, we gave him a raise right on the spot the first day.

What did you do after you left the Board?

I moved to Las Vegas and I started my own consulting business. I specialize in business and in political consulting. And simultaneously, a lifelong friend of mine from McGill—originally from McGill—named Bill Ireland, was named the first football coach here at UNLV. And he told me, "I've got to have your help in starting this program."

I said, "Sure." So I got involved. I did it on a voluntary basis for a year or so, and then the university asked me if I would please come full time. After I thought about it, I said, "I'm going to have to decide what I'm going to do. Am I going to go this way or am I going to go into the gaming industry?" And I decided to go with the athletics department. I was their fundraiser and development officer, then became the associate athletic director, all the time keeping my business and political consulting career going.

Did you work as a coach or assistant coach?

No, not as a coach; I was in the administrative end of the athletic department. In 1994 I was elected to the UNLV Athletics Hall of Fame, and I'm proud of that. In fact, I'm still part time with the university. For the last almost twenty years I've been with the museum and the Harry Reid Environmental Research Center, where I'm in development work. I also lobby a little bit and I try to chase federal grants and contracts.

Did you ever work with Paul Laxalt after you resigned from the Board?

Oh, sure! We're best of friends. I worked in the 1974 campaign when he replaced Alan Bible in the senate and in his 1980 campaign, and I've helped him a lot with other projects.

I did actually work some in the gaming industry. I was court appointed to the board of directors of the Dunes Hotels and Casinos in 1978 as an independent director, and I stayed with them from 1978 until the year 2000—twenty-two years. I was on the audit committee on the Dunes board all that time. I also did consulting work for a number of the hotel-casinos: Binion's Horseshoe, The Golden Nugget, Hilton Hotels, the MGM, to name a few.

What other projects are you currently involved with, Mr. Pearson?

For the last six years I've been working on behalf of Governor Kenny Guinn. I worked in his first election campaign, and I have worked with him since he was elected. I'm winding that down now, and I will be finished in January. Also, my wife, Jerrie, keeps me interested in things. I was a long-time bachelor and finally married in 1991. Best move I ever made. She's the love of my life.

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If you had to do it all over again would you work for the Gaming Control Board again? Was it a good experience?

Oh, it was a great experience, even though in some respects it was frustrating and a little bit exasperating. But, yes, a wonderful experience. And I was fortunate enough to be there during an era—the 1960s—which I think was the most interesting and significant decade of gaming control in Nevada's history.

Thank you very much for your time.

You're welcome.

HARRY REID



Senator Harry Reid served as chairman of the Gaming Commission from 1977 to 1981. He was appointed to the position by Governor Michael O'Callaghan after serving as O'Callaghan's Lieutenant Governor. Senator Reid's term on the Commission was a tumultuous one as operators such as Frank Rosenthal, Al Sachs, Allen Glick, James Tamer, and Joe Agosto were creating problems for gaming regulators and the state of Nevada due to their alleged connections to organized crime. Born in Searchlight, Nevada in 1939, Reid graduated from Utah State University and earned a law degree from George Washington University. He won election to the Nevada State Assembly followed by service as Lieutenant Governor, Gaming Commissioner, and two terms in the U.S. House of Representatives. He entered the U.S. Senate in 1986, and was re-elected four times, with the final term beginning in 2010.

Senator Harry Reid. Photo courtesy of Harry Reid.

Dwayne Kling: Good afternoon. My name is Dwayne Kling. This is Friday, December the thirteenth, 2002. I'm with Senator Harry Reid in his offices in the Federal Building in Reno, Nevada.

Senator Reid, does the Oral History Program of the University of Nevada have your permission to make available to the public the tapes and the transcripts of the oral history interviews that we are about to begin today?

Harry Reid: Yes.

Thank you. Senator, when and where were you born?

I was born in Searchlight, Nevada, December 2, 1939.

Where did you go to college or university?

I went on an athletic scholarship to the College of Southern Utah, in Cedar City, Utah. It was then a branch of Utah State University. I then went on an academic scholarship to complete my bachelor's degree in Logan, Utah at Utah State University. Following that, I went to George Washington University, where I got a law degree. And I have done graduate work at UNLV [University of Nevada, Las Vegas] in history, after that, with no degree.

When were you appointed to the chairman of the Gaming Commission?

I believe it was June, 1977.

Who appointed you to the chair?

Governor O'Callaghan.

How long did you serve as chairman of the Commission?

I believe I served four years and one month.

Who did you replace as chairman of the Gaming Commission?

Pete Echeverria.

You say that Governor O'Callaghan appointed you to the Commission. Had you known Governor O'Callaghan prior to your appointment?

He was a government teacher of mine, my senior year in high school. That was his first year of teaching. He taught me government, and also taught me how to box—to fight.

He was quite a boxer, wasn't he?

Yes, he really was.

During your four years as a chairman, there were several distinguished persons that served on the Gaming Commission with you. Would you give us the recollections of some of those people? Do you recall?

Oh, I can recall any number of them: Clare Haycock, Walter Cox, Jack Walsh, George Swarts, Stuart Engs, [Richard] McDougal from Lovelock, Carl Dodge. I can't think of any others.

I think that's all.

Yes.

Do you have any special recollections of any of those people that you'd like to tell us about?

I have special recollections of every one of them. [laughter]

Are there any that you'd care to share with us, or are there just too many? Mr. Cox was quite a character.

Oh, they were all interesting people. Clare Haycock is a self-made man. He's a wealthy man now. He is somebody that I used to work in service stations with, for Standard Stations. He got on the commission upon my recommendation to Governor O'Callaghan. And he was there for many years and did a really fine job. Walter Cox was an O'Callaghan appointee. He is a former newspaperman. He was very old when he served on the Commission—I'm sure, into his eighties. Wonderful, loveable man. Jack Walsh was the manager of the Algiers Hotel, a former Nevada Highway patrolman. He was involved in gambling in its early development in Las Vegas. He lived in the Algiers Hotel property that he ran, a non-gaming property on the Strip. An interesting side note about Jack Walsh is that for all the meetings we had in Carson City, he never flew to one of them; he always drove. He was afraid to fly, so he drove every place. Stewart Engs is a heavy-equipment dealer up here in northern Nevada, a successful businessman. I served with him for not a long time on the Commission, but he was very good. He quit; it took too much of his time. Richard McDougal was a successful rancher. He grew some kind of seed that sold well. He did this in Lovelock, and it sold around the world. He was also a very talented, well-prepared rancher/businessman. George Swarts was a certified public accountant. Senator Carl Dodge was a long-time senator. He retired, and he was called into public service by Bob List. And he was my successor, as I recall.

Yes. When you became chairman, did you institute any new policies or procedures at the hearings?

My main attribute was making sure that meetings didn't take long. We tried to expedite everything. In fact, I ran into Cy Ryan last night, who was a reporter originally for the United Press International, covered gaming matters in Nevada for decades, and is now a reporter for the *Las Vegas Sun* newspaper. He's based in Carson City. And he said that he wanted to make sure I got back on the Commission, because with everybody else, their meetings went too long.

[Laughter]

I really worked the meetings quickly. We had some very tumultuous times during my tenure, and as chairman of the Gaming Commission, we had to close hotels, impose large administrative fines. We

did lots of things. We held a lot of hearings on policy issues like cooling-off periods—how long you should have to wait after you leave the Commission or Control Board before you can go to work for the industry. I think we did a lot to get rid of organized crime in the gaming industry.

Prior to being appointed to the Commission, were you aware of any hidden interests or any organized crime connections in Nevada gaming?

You know, it's interesting. I was born and raised here and had been around gambling all my life, had been lieutenant governor. I set up the meeting between Howard Hughes and Mike O'Callaghan in London. I did that myself, and also involved in that meeting, of course, was Phil Hannifin. But even though that was the case, I thought the term "organized crime" was something for comic books or magazine articles. I down deep didn't know it really existed, or believed it existed. I think if I had a shock, a surprise, at any given time during my political career, it would have been recognizing the influence of organized crime in Nevada.

Did you feel it was more in southern Nevada than northern Nevada?

Yes. The illegal gaming, the organized crime people, because there was so much money to be made in southern Nevada, they seemed to go south. Of course, there were some organized crime problems in the north in earlier years, but they were relatively minor compared to the heavy involvement in Las Vegas.

So that was a rude awakening and an early surprise when you went on the Commission?

That's true.

During your term as chairman you, as well as all gaming regulators, made determined efforts to rid Nevada's gaming industry of unsavory characters and organized crime connections. I'd like to ask you about some of the individuals and the properties they were involved with that came before you and the Commission for licensing or disciplinary actions while you were chairman.

OK.

Do you remember, or you want to talk about Frank "Lefty" Rosenthal and his association, and Allen Glick?

Rosenthal was a man who fixed college games. He'd been convicted of tampering with athletes and fixing scores, betting on lines that were developed because players didn't perform as they should. That was his original crime, and he, during the period of time that I was involved in the chairmanship of the Commission, was heavily involved in things going on in Nevada. We didn't know his involvement, totally. But Rosenthal, he even looked mean: tall, skinny guy, squinty eyes. I have no doubt that he was capable of killing people. I have no doubt that he was involved in organized crime. And he attempted to get a license, and we wouldn't give him a license. The movie that they made about him, *Casino*, I wouldn't see that. I wouldn't pay five cents to see him glamorized in any way, because he's not a

glamorous guy. He was a thug, a high-level . . . he was a criminal.

I had a number of run-ins with him, some of which you still see on TV today. They keep running the same video over and over again, after all these years, of the confrontation I had with him in the Commission.

Would you tell us a little about that confrontation? Didn't he try and turn it into a shouting match?

He was good at diverting attention from his own past, his own record. I don't really remember. I think he wanted a hearing, and we postponed it, or he wanted to get a license, and we denied him. The confrontation I had with him was in Las Vegas. We denied him a license. As I recall, we were in Reno or Carson City. So, whatever we were doing at the Commission level, he didn't like it. And he had had a hair transplant.

Oh?

And so he had a hat on, and it made him look more like a criminal with that little hat that he wore. He had the hat on because he'd had plugs put in his hair so he wouldn't be bald. And he said, "Didn't you come to my hotel and have lunch?"

And I said, "I don't know." But the fact is that I came with Brian Greenspun to have lunch with him and a man by the name of Jerry May. It was a meaningless thing for me. But the fact is, I guess it was meaningful to him.

What was he implying by you coming?

He was implying that he was my pal or something.

Oh, that you were buddy-buddy, so you could . . .

Yes. But I was not afraid of him from an academic standpoint. I was just afraid of him because he was a thug, and I believed he'd killed people before. I had, during the time that I was on the Commission, many threats on my life. My wife found a bomb on the car. It was meant for me. We had a number of telephone calls to my office. We had to vacate the office. We had to cover the picture windows in our home. I carried a gun until I went to Washington. So it was a difficult time, and I don't know if Rosenthal—how closely he was involved in all that.

I had other problems where people who wanted a gaming device tried to bribe me. They were turned over to the federal authorities, and it could have been them, because there were some bad people involved in that, too. They were convicted, by the way, of bribery. So we had all kinds of problems with someone trying to hurt me physically. Whether it was Rosenthal or not, I don't know.

Was Rosenthal the most vocal person, or the worst person you ran into, as far as denying them licenses?

Oh, I don't know if he's the worst. There are some people who were more stealthy than he. He was very vocal. He had his own TV show. He tried to buy his way into high society. But there were other bad people. You mentioned Allen Glick. Allen Glick was an extremely interesting person. I can

remember once Phil Hannifin told me that he thought he had ice water for blood. He passed a polygraph test.

Allen Glick did?

Yes. He was somebody that was used—very typical. Organized crime uses somebody that has a good record, and he did. We didn't know he was organized crime, but he was. There were a lot of things that I learned about organized crime. You asked the question—I thought that maybe when I went on the Commission, especially after having talked to Pete Echeverria, he told me all these ghost stories. I thought Pete was just talking.

Embellishing?

Yes, embellishing, making things worse than what they were. But Pete was right. There were all kinds of strange things going on. But I thought there may have been something, some involvement with the Chicago organized crime. I was very surprised when a large pile of wiretaps came out from the FBI that the real bad people during this era were not mob people from Chicago, but from Kansas City—I didn't even know they had a mob in Kansas City—led by two brothers named Civella [Carl and Nicholas], and they were, obviously, pretty bad people. On one of the wiretaps Glick says, "Well, what should I do?"

And one of them says, "Sell the son of a bitch"—talking about the Stardust Hotel—so they did.

[Laughter]

They absolutely controlled everything Glick did. Another bad person during that era was a man by the name of Joe Agosto. I had represented Agosto's wife in a divorce, previously, and I knew Joe Agosto a little bit from that, because it was a friendly divorce. It wasn't an adversary proceeding. But what I didn't know is that Joe Agosto was bragging to these gangsters in Kansas City that he was paying me—I don't know how much it was—\$10,000 a week, or something. He gave me a name. He had names that he gave people, supposedly, with this type of communication they did among gangsters, I was known as "Mr. Clean."

Mr. Clean?

Mr. Clean, that was my name, my gang name, or whatever they called it—and he said he was giving me \$10,000 a week. Joe Agosto really didn't exist. Joe Agosto was a person who had died, and this man, who had an Italian name—he was from Italy—assumed his name, stole this identity. So Joe Agosto was really a dead man. And Joe Agosto had done some things in Las Vegas previously. He built the Golden West Shopping Center, and then he came back many years later in the capacity of a person who purchased the *Lido de Paris* [*Folies Bergere*] show—I think that's what it was called—at the Tropicana Hotel. He owned the show, and the show was a big production number with ladies dancing around with their breasts bobbing up and down uncovered, and other things. It was a famous show, drew lots of people. That was his; he owned it.

And he did a number of very bad things. He was tied into the Kansas City people, but the one

thing he did that was worse than anything that I know of, is there was a wonderful woman by the name of Mitzie Stauffer Briggs. She was the heir of the Stauffer chemical fortune. And she was interested in Las Vegas, and Joe Agosto and others wined and dined her. She lost her entire fortune in Las Vegas. She lost everything. Last I heard, she was waiting tables—a woman who was extremely wealthy.

So she bought into the Tropicana?

Oh, yes. She was the principal owner.

Principal owner?

She lost everything.

So they skimmed it from her one way or the other?

Yes. And so that's Joe Agosto. Joe Agosto was eventually arrested, and he died in prison. That's a good place for him to be—in prison.

So he tried to smear your good name.

He was a bad guy. Oh, yes. He did a good job, too. I was chairman of the Gaming Commission at the time, and it's hard to disprove a negative—like the old term says, “Do you still beat your wife?” Well, if you say yes, it's real bad, but if you say no, it's an acknowledgment that you did beat her at some other time. And that's kind of the predicament I was in. I mean, how do you disprove somebody giving you \$10,000 a week?

Yes. [laughter]

But what was done is the Gaming Control Board hired two retired Texas Rangers to come in and investigate me. They hired the international accounting firm of Elmore Fox and Company [phonetic] to check all my financial records, and they went back to every client that had paid me more than \$250. They checked to make sure I could prove that I had done the work, that it was a legitimate billing. I had to prove how I'd purchased my furniture, that I hadn't bought things with cash from the \$10,000 a week that they were supposedly giving me. It went on for quite some time, and it was a difficult situation. But it all worked out.

In the long run, you wound up looking better than you did before, possibly.

Well, I don't know about that. But at least it's over with. There were lots of bad people. I've given you a few of them.

How about Tony Spilotro? Was he involved with Rosenthal?

The answer is yes. Tony Spilotro, though I didn't have any dealings with. Rosenthal, Agosto,

Glick—I had dealings with them. I knew them. Spilotro, I almost had dealings with him. I came a hair of a fraction away from doing something very bad. I was asked by Jerry May, who was a client of mine—he was a public relations guy—to have lunch with Tony Spilotro. I didn't know Tony Spilotro from Bob Donahue. The name meant nothing to me. And so lunch was set up at the Las Vegas Country Club, at a certain day and time, and I'm getting ready to go out there, and my friend says, "Where are you going?"

I said, "I'm going to lunch."

And he said, "With whom?"

I said, "Jerry May and Tony Spilotro."

He said, "*What?!?*"

I said, "I'm going to lunch with Jerry May and Tony Spilotro."

He said, "Oh, you can't do that!"

I said, "Why?"

He said, "He's a bad guy. He's known as 'Ice Pick Tony.' He's known to ice pick people in the head—hang them on meat lockers and ice pick them in the head. That's where he got his name—he'd kill them. He's a killer and runs a lot of what goes on in Las Vegas that's bad." [*Editor's Note: Tony Spilotro was also known as "Tony the Ant" and "Tough Tony."*]

So I canceled the lunch. That's the closest I came—and, you know, it would have been a harmless lunch, but I don't think it would have been very easy for me to overcome the fact that I was seen having lunch with a big gangster.

Yes.

But that's how naive I was about things dealing with organized crime, because that meeting was set up a week or day or two after I had assumed the chairmanship of the Gaming Commission.

Oh, that soon?

Yes.

Was Jerry May a friend of yours prior to that time?

Oh, yes. I represented Jerry May for years. Jerry May also got in trouble and eventually went to prison.

Oh, he did?

Yes.

It wasn't a very friendly thing to do, to invite you to lunch with Spilotro.

He was just, I guess, trying to make himself look good.

Do you remember a fellow named Carl Thomas?

Oh, sure.

Did you have any dealings with Carl Thomas?

I knew Carl Thomas, but not much. He was kind of a man about town, and I wasn't. He did a lot of things at the university, and he was well respected in the gaming industry. And it was Joe Agosto that got him in trouble.

Oh?

Because he was working at the Tropicana.

Oh, Carl Thomas was working at the Tropicana?

Yes. And that's where he agreed to do the skim, at the Tropicana. He's the one that took the money from Mitzie Stauffer Briggs. He knew how to do it, you see. Others—the Rosenthals and the Agostos—didn't know how to do it. He knew how to steal.

Yes.

And on the wiretap that was picked up, he said, "I hate to do this. This will jeopardize my whole career," or words to that effect. And it did, because someone was listening.

Well, you say he's a man about town. He was well known and well respected.

Well respected, that's right. I may have said hello to him or something, but I didn't know him.

He never came up for licensing during your tenure?

I don't remember anything about that. No. If he did, I don't remember.

So it must have been a shock to a lot of the city of Las Vegas.

Oh, it sure was. Yes.

Do you recall a person named James Tamer, involved with the Aladdin?

Jimmy Tamer—yes, I do. I forgot about the Aladdin. We closed the Aladdin.

Yes.

The Aladdin wasn't tied into Kansas City. The mob tie there came out of Detroit. There was a guy, as I recall—I think the guy's name was Goldberg, or something like that.

Goldfarb, maybe. Charles Goldfarb?

Yes, that's what it was. He was a pawnbroker or something in Detroit. And he and Jimmy Tamer were involved in the ownership of the Aladdin Hotel. We thought it was owned by people out of St. Louis. I may even have met Jimmy Tamer over the years. I don't recall doing that. He was represented by a fine Las Vegas lawyer by the name of Gary Logan, but I don't really remember him too much more than just what I told you. Their case was pretty easy to prove. There wasn't much there. We had, again, wiretaps. And that's how we proved their connection. And we closed that hotel.

Is that one Judge Harry Claiborne got involved in?

Yes, he issued an injunction to stay the closure, but it got closed anyway; it just took a little bit longer. Claiborne was a federal judge at the time.

Yes. It seemed like he opened it and closed it, and had a little problem, but you say it didn't take long?

No, as I recall, we accomplished what we wanted. I remember doing that. I was the chairman, and I ordered the closure of the hotel, banged the gavel, meeting adjourned, and got out of there real quick, because there was press from all over the country there. They didn't tell me I had to sign the orders.

Oh, the orders.

So they had to find me to get the orders. That slowed things down a few minutes. [laughter]

Did you ever come in contact with Judge Claiborne over that incident?

No.

Do you remember a fellow named Frank Masterana?

Not really.

He was a large bookmaker and a . . .

I remember the name, but I don't remember anything about him, no.

How about Al Sachs and Herb Tobman?

Oh, sure. I knew Al Sachs. I think Al just died not long ago.

Oh, he did?

Herb Tobman, of course, I've known for many, many years. He was a great athlete. Herb Tobman was a great athlete.

Oh, is that right?

I remember as a young boy I would come from Searchlight and watch him and my brother play softball, fast-pitch softball. During those days, like you came here to play hardball, the joints in Las Vegas would bring in people to play softball. It was a big sport.

Oh.

And Tobman was one of those people that came in from outside the state. He had played basketball, and he was just an outstanding and gifted athlete. He still is. Herb must be seventy-five, eighty years old. I'll bet he could beat either one of us in a handball game. He just is a great athlete. So, yes, I've known Herb for years. He has a great personality, wonderful guy. And he was in a number of different businesses over the years, furniture . . . I don't remember all the business end, but he and Al Sachs had known each other for years, and they came into ownership after some of the Argent peoples—the name the corporation was called—were booted out. He and Al Sachs took over.

There were some who said that Al Sachs was an organized crime guy. I don't know that to be the case. I've talked pretty frankly about some of these other people because we could see that, and it was clear. I don't know that about Al Sachs. I always kind of liked him, and I don't know if he's connected or not. Now, Herb Tobman wasn't connected. Herb Tobman may have been involved in some of the things Sachs was doing. If he was, I don't know anything about it. But Herb Tobman was just a person involved in lots of different charitable things over many, many years in Las Vegas. I think he made a few bucks in the Stardust deal, although I don't really fully understand all that went on between him and Sachs.

Were they eventually asked to leave the Stardust? Was their license revoked, or do you recall?

I don't know how it came about. I don't think it was during my tenure there, but I do think that they were asked to give up their license. There may have been a disciplinary proceeding, and they sold out or something. I don't really know what happened. I know they don't run the hotel anymore.

No.

Herb's daughter is married to John Moran Jr., whose father was a long-time sheriff of Clark County.

That's interesting.

Yes. She's a lovely, sweet woman, Marilyn Moran. And John Moran, her husband, is an outstanding lawyer, and, of course, John's father—everybody loved John Moran.

Oh.

He could have run for sheriff for another hundred years, and no one would touch him. And Marilyn Tobman is also a nice lady.

Shortly after you took office, there was a question about a loan made to the Tropicana hotel by Jack Urich, who had applied to become a partner in the Tropicana.

That was one of the first things I did there. I remember that very clearly.

Was it?

Two of the things I did fairly quickly were quite controversial: the first thing was Paul Lowden . . . Paul Lowden had been involved in music. I don't know if he's a band leader or something like that. And he started getting into the management of hotels. At the very first meeting that I ever conducted as chairman of the Gaming Commission, there were a number of things on the agenda, but the one thing on the agenda that the five commissioners had to handle was the licensing of Paul Lowden. And the Gaming Control Board had turned him down.

Yes.

And to overturn a ruling of the Gaming Control Board takes a unanimous vote. I'm a brand new chairman of the Commission. Everybody sitting there is a veteran.

Yes.

They had been there a long time. And I'm reading the papers on this guy, Paul Lowden. What's wrong with him? The Gaming Control Board said they didn't like him, and they were going to turn him down because he had gone out and gotten his money from financial promoters. I said to myself, "Well what's wrong with a promoter?" I thought to myself, "Well, if you're going to have a mine, and you need money for it, you go out and promote to raise the money so you can dig the dirt. If you want to build an office building, you go out and promote yourself so you can get money to build that. So what's wrong with raising money from promoters?"

And I said that. I said words to the effect of, "An eighth-grade civics student could understand this is a lousy ruling that we're going to deny somebody a license because he raised his money through financial promoters, people whose business is to raise money." And so it was a big deal. We overturned the Control Board, which isn't done very often.

The other thing that I remember that was very controversial was Jack Urich, something that he had with oil. I think it was oil or something like that in Southern California, but he had money. And the Tropicana Hotel was going to go broke if it didn't get an infusion of cash. It needed money. And Jack Urich had agreed to do that. The Gaming Control Board thought that they hadn't had enough time to check out his money, and that maybe he wasn't a good guy.

I looked at it a little differently. I said, "This guy's not going to become an owner. He's *lending* money. And we have a choice of okaying this loan or closing the hotel, putting thousands of people out of work. I'm going to go ahead and see if I can get my commissioners to go with me and approve the loan." And they did. So the Control Board, you see, Phil Hannifin and all those guys, who I like very much, they got their way with everything until I came along.

Oh.

Until I came along, whatever they did, it was over. The Commission never challenged anything they did. Well, I challenged *everything* they did. And they were really upset with me on the Jack Urich thing. I can remember soon as it was over: Bang! "Meeting adjourned." Oh, they were so upset at me. I had the votes. That's all that counts.

Yes.

I only needed a few votes, and I got it. And so, yes, I remember that very well. I kept the hotel open, and I'm glad.

Didn't Phil Hannifin resign shortly after that?

I don't know. I don't remember when Phil resigned. He'd been on the board a long time.

Quite a while?

Yes.

It's very important to keep the employees working, plus it also generates a little tax revenue for the State of Nevada.

Yes. I wasn't going to let the hotel close unless I had some good reason for doing it. The other thing that we established at the Aladdin, that we didn't have in place at the Tropicana, was the ability . . . if the state closes a hotel, what are you going to do, just put all those people out of work? And what we did at the Aladdin is I had developed a scenario so we could establish a receiver, a state-appointed receiver, and that person could run the hotel. And that's what we did at the Aladdin, and that worked out quite well. Leo Lewis was the guy that we had run the place for quite some time, and also we had another person, Ed Nigro. So that's something I developed.

That was a good idea, and it's been used countless times since then. Of course, Del Webb had a management team at one time some place or other, and, I think, the Boyd family.

I don't remember.

I think they went in and ran a place somewhere. You mentioned those two places, the Aladdin and the Tropicana. Were there any other incidences where you remember keeping a place open?

[laughter] I don't know. I can't remember all of them. All I know is that the Commission was never looked at the same after we did that with Paul Lowden and Jack Urich, and there were other things. I did not want to be a rubber stamp for the Control Board. And I wasn't.

Well

I rebelled all the time. And sometimes it was kind of difficult, because I had to get four other commissioners to go along with me, because it all usually had to be unanimous.

You have to recommend a denial, and it has to be unanimous.

Yes. If they recommend denial, it has to be unanimous. [laughter]

Well, people have said it's a two-tier regulatory system.

I know, but it was a bad system. And maybe it's gotten a little better. We had the same lawyers that they had. That was not a good situation. So I had to become my own lawyer part of the time.

Yes, the same attorney general or deputy attorney general represented both.

Yes, that wasn't good.

Well, you've kind of touched on this briefly. I was going to ask you about the relationship between the Gaming Control Board and its staff with the Gaming Commission.

Well, I had the highest respect for those people who served on it, and they were full-time people—we were part-time. But the reason the Board and Commission were established is so that there would be—I thought we, the Gaming Commission, were the board of directors. They, the Gaming Control Board, were the officers of the corporation. That's how I looked at it.

Yes.

And the board of directors, as I considered myself, we don't always have to follow what the officers think we should do. That's basically how I looked at it.

Yes.

The Board felt that they were the board, the commission, the jury, the prosecutor—they felt they were everything. I don't follow the Commission that closely anymore, but I think that during my four years there they knew one thing—that is, that we were not the rubber stamp of the Control Board.

They brought the facts or the data or the information to you, to the Commission, and you made your decision from there.

Right.

Well, Phil Hannifin was chairman part of your time there, and I think Roger Trounday was chairman of the board the rest of the time.

Right.

You worked with Roger Trounday pretty closely, didn't you?

Yes. And I worked with Phil even closer.

Closer.

You know, I'm the one that, as I said, set up the meeting with him and O'Callaghan and Howard Hughes. I did that. So I worked with Phil quite closely, and I like him a lot. He kind of dropped out of sight. I haven't had a lot of dealings with him, nor has anyone else. He's been kind of . . .

A recluse?

Yes, not around very much. But I was part of state government when O'Callaghan and I brought him into state government. Roger Trounday was assistant principal out here at a high school when we brought him into state government. I like Roger a great deal. He's a fine man, as is Phil Hannifin, but I didn't always agree with him.

[laughter] Doesn't mean you have to agree with him just because you like him, right?

Yes. Or dislike him.

Or dislike. I have a couple other instances here where the Commission disagreed with the Gaming Control Board. I'd like to read them off and see if you'd care to comment on them. [Reading] "In August of 1978, the Gaming Control Board recommended that the race and sports book at the Stardust and Fremont Hotel-Casinos be stripped of their license. The Commission instead voted to fine the operation \$100,000 and let it continue to operate." Do you recall that?

I recall we did, on a couple of different occasions with Argent properties, we affixed fines. There was one time when we assessed them a \$700,000 administrative penalty. I don't remember when that was, but we did that. At that time it was the largest administrative fine in the history of the country. So there were times that we did that. I don't really remember all the relevant facts of that.

That one you mentioned about the \$700,000 fine, that was another one I was going to bring up, because the board recommended a \$12 million fine against the Argent corporation and Allen Glick.

Yes. Well, maybe we should have fined them more, but ours was still the largest fine in the history of the country up to that time.

Also, this one in 1979, I believe Roger [Trounday] was the chairman of the board then. In 1979 the Board recommended for denial the application of Al Sachs and Herb Tobman to purchase the Stardust and the Fremont, and then the Commission okayed the purchase.

Oh, is that right? OK.

You and I discussed that a little bit earlier.

Yes. I told you my relationship with Tobman. It was very close. Sachs, I had no relationship with, but then I knew who he was. So I don't really, again, know why we overruled the Board. But obviously, there must have been good reasons.

Yes. When Frank Sinatra was licensed as a key employee at Caesar's Palace, there was an editorial in the Reno paper that said that you showed poor judgement in singing the praises of Mr. Sinatra and okaying his license.

Yes, that was very, very interesting—the investigation of Frank Sinatra. It was at the time the most expensive investigation the gaming authorities had ever conducted. All over the world we sent agents. And we couldn't find anything wrong. I did sing the praises of Sinatra. I met him at the hearings, you know, but I never knew Frank Sinatra, never liked his singing.

Yes.

I don't like his singing—still don't.

[laughter] You're one in a million.

I never have. He's not my kind of singer. I liked his movie acting. He was very good.

Yes.

I didn't like his singing. But I found him to be a most charitable, good person—not publicly. He picked fights with people—and, you know, physically. But as far as helping people who were down and out he was wonderful. And I said nice things about him, never regretted a minute having done that. I think Frank Sinatra was maligned. I think a lot of his persona was generated by public relations people to make him kind of sexy.

Yes.

But we couldn't find anything wrong with him. We tried. We absolutely tried. I don't remember the editorial in the *Reno Gazette-Journal*. They usually write nice things about me. And a lot of people up here didn't like Sinatra, because he bashed somebody around and had some ties, they thought, to Giancana years ago. But our investigation, professionally done, costing millions of dollars, never found anything wrong.

I think some of the people were still concerned because of that incident at the Cal-Neva Lodge, which was close to twenty years ago.

A long time ago. Yes. So that's a thing I feel very good about. My only regret is that somebody sent me a poem about Frank Sinatra, and I read that damn thing.

Oh?

I always felt so stupid having read that poem, which was pretty bad.

Was it a laudatory poem?

Yes.

[laughter] And poorly written, besides.

Yes. And that's why I feel bad about it.

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MICHAEL RUMBOLZ



Michael Rumbolz, who was born in Biloxi, Mississippi, in 1954, was appointed to the Gaming Control Board on January 2, 1985. A little over two years later, he was named chairman of the Board, the youngest person ever to be named to that position. Rumbolz had financed his way through the University of Nevada, Las Vegas first by working as a busboy and waiter in the steak house of the Stardust Hotel and Casino and later as a poker dealer at the Golden Nugget. He then earned a law degree from the University of Southern California. Rumbolz was a deputy attorney general on the staff of Attorney General Brian McKay prior to his appointment to the Board by Governor Richard Bryan. After retiring from the role of regulator, Rumbolz served in several key positions with gaming industry giants including Trump Enterprises, Circus Circus, the Windsor Casino Consortium, Anchor Gaming, and Acme Gaming.

Michael Rumbolz. Photo courtesy of Michael Rumbolz.

Dwayne Kling: I'm in Las Vegas, Nevada. I'm currently at the Tropicana Hotel to interview Michael Rumbolz, former chairman of the Nevada Gaming Control Board.

Mr. Rumbolz, does the Oral History Program of the University of Nevada have your permission to record the interview that we are about to begin today on July 17, 2002?

Michael Rumbolz: Yes.

When and where were you born, Mike?

I was born March 20, 1954 in Biloxi, Mississippi, and my family moved to Las Vegas when I was in the sixth grade.

Did you attend school here in Las Vegas?

Yes. I went to school two years in Carson City and Reno, but ever since the sixth grade I've been in Las Vegas.

Did you go to the University of Nevada, Las Vegas?

I did. I have a degree in political science from UNLV.

When you were going to college, or when you were growing up in Las Vegas, did you work in any of the casinos?

I did. I started as a busboy at the Stardust Hotel, and then later I worked as a waiter in the steak house at the Stardust Hotel until I reached the age of twenty-one. While I was finishing college, I dealt poker at the Golden Nugget. Then when I was attending law school I was a blackjack dealer at the Circus Circus.

When you were at the Stardust were Al Sachs, Herb Tobman, and "Lefty" Rosenthal working there?

Yes, they were. Herb Tobman actually hired me as a busboy and then promoted me to waiter. He, at that time, was the food and beverage director. Allen Glick was the owner at that time. Al Sachs was involved in management, and "Lefty" Rosenthal, or Frank Rosenthal, was also there.

What was Frank Rosenthal's position at that time?

His position, as I recall, was general manager, and then later he was entertainment director. It was pretty clear, though, as an employee, that Frank was the boss of the entire place. If he asked you to do something you did it. [laughter]

Where did you obtain your law degree?

From the University of Southern California. In 1980 I graduated and came back to Las Vegas and practiced law for about three years with, at that time, Jones, Jones, (Mel) Close & Brown.

Did they have quite a few casino clients?

They did. While I was in private practice we had a variety of clients that were in the gaming industry, but we also handled quite a few acquisitions. We handled the purchase of the Sands Hotel by the

Pratt brothers from Texas. We handled the purchase of the Aladdin for Ed Torres and Wayne Newton, and also handled the purchase of the El Rancho for Ed Torres. At that time it was the Silver Bird. And we also handled the estate of Major Riddle. He owned the Silver Bird, the Silver Nugget, and a variety of hotel-casinos. Mel Close was the executor of the estate.

Is that one reason you went to work for that firm, because they had so many casino clients?

That's exactly right. After I received my law degree I wanted to practice gaming law and be involved with casino operations, and that firm and one other at the time, Lionel Sawyer & Collins, were probably the two firms that had the most gaming clients, and that's why I went to work there. While I was working there I was dealing principally with regulatory law, with an emphasis on gaming.

Did you eventually go to work in the attorney general's office?

Yes, it was actually pretty strange the way that occurred. Brian McKay had been elected attorney general. Brian McKay had been a newcomer to Nevada politics, had never run a political race before and ended up beating a seasoned veteran of politics, who also was a member of a family that had been involved in Nevada politics for quite a while. So Brian getting elected was a shock, I think, to everybody—not the least of which was Brian. [laughter] He was sort of shocked that he had actually won it. But he was very close friends with a partner in the law firm, Joe Brown. And he and Joe had talked about the chief of the gaming division, and Joe had recommended me for that spot. Brian and I discussed it, and I explained to Brian that at the time that there was a man in the gaming division of the attorney general's office who I thought was perfect material to become chief. His name was Jack Godfrey. So I told Brian that Jack Godfrey should be his chief, but that if Jack said no, that I should be his chief.

We talked for about half an hour, and a week later Brian came back to me and said, "Well, Jack decided to take the position and I'm going to take your advice." [laughter] I said, "That's pretty smart." And he then offered me the position of chief deputy attorney general for southern Nevada, which was actually a *higher* position in the office, because it was over all of southern Nevada, including the gaming division, which I, of course, immediately accepted. [laughter]

You must have been fairly young at that time.

I was twenty-eight. [laughter] And I was pretty fresh. [laughter]

Had you known Brian McKay before?

I had never met him until the day he interviewed me.

You must have made a good first impression.

I guess. [laughter] Either that or else I buffaloed him.

So you were working in the attorney general's office prior to being appointed to the Board.

I was. I was in the attorney general's office for two full years. A year and a half of that was in the central office in Las Vegas, where I actually administered southern Nevada, and gave regulatory advice to a variety of agencies. But then six months prior to my going on the Board, Jack Godfrey quit. Actually, it was the end of the term and he said, "I've had enough." And he left and I took a demotion to become chief of the gaming division, because that was where I'd always wanted to go. So five and a half months into that role was when I had an interview with Governor Bryan about whether or not I would go on the Gaming Control Board. So I went from being head of southern Nevada to being head of gaming to being on the Gaming Control Board.

When you were in the attorney general's office were you involved in any well-known cases?

Probably the best-known case would have been the Stardust license revocation, and the revocation of the licenses of both Mr. Sachs and Mr. Tobman. That was the highest profile. Prior to that we'd had a variety of cases involving medical malpractice and revocation of doctors' licenses and schools that were being set up to advise people not to pay their taxes, where we revoked them and threw them out of the state. But the highest profile would have been the Stardust.

Was Allen Glick gone by that time?

He was gone. That's correct. Sachs and Tobman were running it under Trans-Sterling.

Was "Lefty" Rosenthal with them then?

"Lefty" actually was gone by the time we went for the revocation. Most of the allegations against both Sachs and Tobman had to do with not cleaning up what we had identified to them as significant accounting problems within the organization, including what we believed to be skimming.

Was working for the Gaming Control Board a goal that you had set for yourself?

I don't know that I set that as a goal, but it certainly was something that I admired other people doing. I had seen—and by this time I had actually had them as clients—a variety of people in those roles, and always thought that that would be a tremendous way to give back to the state. Perhaps I should digress. When I went to law school I was a member of the WICHE program, the Western Interstate Council on Higher Education, which both gave me stipends to go to law school out of state, and also helped underwrite some of my tuition for having gone out of state, because at that time Nevada had no law school. And part of that grant and stipend required me to come back and practice in the state, but I could have satisfied that in private practice. It just always seemed to me that doing something on the public side would have been better payment. And so for me going on the Control Board was to some degree a payback of what the state had already provided me.

Let's go back to your interview with Governor Richard Bryan.

Well, to set the stage a little bit, Brian McKay was a Republican and was the highest elected officer of the Republican Party in the state of Nevada. And Richard Bryan, former attorney general, then

governor, was the highest elected Democratic state officer. So there was a natural tension between the two, and yet I had represented Governor Bryan's appointees as the chief deputy attorney general. And word apparently got back to him that I was not playing politics with the office, and I had been a registered Democrat all my life. So when I met with him the first thing that we talked about, was the fact that I was actually carrying out my obligation as an attorney to represent my clients, even though they happened to be Democratic appointees. That actually went really well because I basically told him that I didn't care if they were Democrats or Republicans. They were just my clients, and I was going to give them the best representation. And I don't know if that won the day or not, but he ended up appointing me. [laughter]

[laughter] And you had never met him before?

Had never met him before.

Who did you replace on the Board?

It was kind of a weird shift that went on. When I became chief deputy attorney general it was about the time that the governor had indicated that he would not reappoint Jim Avance, who was then chairman of the board whose term was going to end in December, and that, in fact, he was bringing Bart [S. Barton] Jacka in to replace Patty Becker, who had resigned, and that Bart, while serving as a board member, was going to be the new chairman as of January. So Jim Avance, Bart Jacka, and Richard Hyte were the board members when I was chief deputy attorney general, but it was clear that Jim Avance was a lame duck—a very *public* lame duck—and that Bart Jacka was the *de facto* chairman, if you will. So when I went on it was as a result of Bart Jacka, who had replaced Patty Becker, moving up to chairman leaving an opening, and I filled basically an open position. Jim Avance went off, Bart moved up, I moved in. And within two to three months Dick Hyte resigned and left as well. Guy Hillyer took his place.

How old were you when you were appointed to the Board?

I was thirty years old.

Were you the youngest person appointed to [the] Board?

No, I wasn't. Actually, I think it's close to a tie, although I'm not certain. I believe Patty Becker was slightly younger than Jeff Silver. I know at the Commission level that the youngest was Frank Schreck.

Were you the youngest person ever appointed chairman of the Gaming Board?

Yes, I was. I was thirty-two when I was appointed chairman.

How important do you feel it is that there is a good relationship or a good rapport between the Gaming Commission chairman and the Gaming Control Board chairman?

That's very tough. It is important that there be at least some agreement as to the direction,

because if there isn't that minimal kind of support between the two, the licensees in the industry really suffer, because they'll get whip-sawed in between the two bodies. So at least an understanding, a basic understanding, an underlying agreement on the roles and responsibilities of the authorities over the industry is probably critical. Beyond that, as to whether or not a given licensee or a given type of background is an appropriate background to be involved in gaming or not, I don't know that that really matters. The Commission has the ultimate decision-making authority. And in my view, the Board needs to be the whip hand, needs to be a bit tougher and more strenuous in regulation and how they treat applicants than perhaps the Commission. The Commission, I think, has an obligation to use their business background, I mean, by virtue of the way the statutes indicate who is to be selected for the two bodies. I think the Commission is required to use a bit more business judgement and allow a bit more leeway for individuals coming into the industry than perhaps the Board should. There were several times during my tenure as a board member and as chairman when I was fairly certain that I was voting against an applicant that was going to be approved ultimately, but I really wanted that applicant to understand that even though they were going to ultimately get approval, that they were going to be watched and looked over.

And that it wasn't that easy to get licensed, is what your vote indicated?

Exactly. Exactly. That this is not a cakewalk, and don't feel that you've been able to buffalo the system because we are going to keep an eye on you and we don't approve of these things. But we don't disapprove of them so greatly that we're going to keep you out of a livelihood.

And there again, they need a unanimous vote if you recommend for denial, right?

Yes, that's a nice thing. I love the statutory scheme setting up gaming control in the state of Nevada, because the Board is a recommending body. Their recommendation carries a tremendous amount of weight when it's negative. [laughter] And I think that's appropriate. I think forcing someone to get a unanimous approval from the Commission over a denial by the Board is appropriate. If somebody is being turned down by the day-to-day regulators, and the part-time regulators are going to give an approval, I think they ought to be in unanimous agreement. I think it's a beautiful scheme.

Who were some of the chairmen that you worked with on the Board?

I worked with two chairmen of the commission: Paul Bible was chairman while I was a board member, and then both as a member and as a chairman of the Gaming Control Board I worked with John O'Reilly. And there were a variety of commission members that went through during my tenure.

It seems like most Commissions are dominated by the chairmen. How do you feel about that?

I think that's true. Certainly the chairmen of the Commission, their personality, will set a tone for the rest of the Commission. And more often than not, their views of gaming regulation will set the tone for the Commission as well. And the chairman is really the person at the commission level who has the most day-to-day interaction with the Board and the agents. It would be very rare that I would have private conversations with any member of the Commission about any given subject. And, in fact, I can only think of perhaps one time during my tenure as chairman of the Board when I spoke with a commission member.

It was almost exclusively with the chairman.

And he would be the person who would set the agenda as well. One of the things that occurred during the time I was on the Board is we started to try and figure out how to best set our meeting schedule, if you will, taking the tough applications up front when we were fresh and ready to go as opposed to taking them later in the day, or perhaps during the second day of our meetings. We had some marathon meetings; we had meetings that went until one, two in the morning for issues like the takeover of Caesars World. And in doing that, the commission chairman was always actively involved, because whatever the Board did would ultimately then translate two weeks later into what the Commission had to do. And if the Board took an extremely difficult or sensitive issue late in the day, and it ended up carrying over into late in the evening, that schedule had already been set, and therefore that item would come up very late in the Commission's day. And so just the procedural workings of the Board and Commission required that there be some close discussions with the chairman of the Commission.

That scheduling that you mentioned, all the boards didn't do that, did they? Didn't some boards have the easiest ones first?

Exactly. In fact, for years the restricted licenses were first, and they were in whatever order they happened to show up in. And that meant that you may have a problem with a particular bar location or a bar owner or a supermarket owner or whatever. It might fall at the beginning, in the middle, or at the end of the day. And those items would all be acted on while you had the non-restricted licensees, the major casino owners and their staff, sitting there listening for hours, [laughter] to something that had no bearing, or had no meaning. Actually, I would credit Bart Jacka with trying to get some semblance of order to what was going on at the board level when he was chairman. Ultimately when I was chairman we moved all of the restricted items to a second day and held them all at the same time so we had no non-restricted, or generally had no non-restricted items on it that day. And then we put them in order of difficulty. If there were areas of concern identified by staff, those would come first, and we would do all of those, then we would go on to the perfunctory ones where it was a location simply changing landlords or moving machines or changing the position. The really simple stuff that was pretty much rote went on the second day. And then the first day we did the same thing with the non-restricted applications. Those that were going to either require lots of questioning or had lots of areas of concern would come first. So it became pretty well known in the industry that if you were number one or two on the agenda you were in trouble. [laughter]

Well, talking about people that might have been in trouble, in 1977 Joe Slyman was licensed as the owner of the Royal Casino, and shortly afterwards Paul Dottore was named general manager. In 1982 and 1983 an undercover operation alleged that millions of dollars had been laundered through the Royal Casino's cage, and Slyman and Dottore were soon to face federal fraud charges. In 1985, the year you went on the board, and the same year that Slyman and Dottore stood trial for fraud, the Treasury Department decided to broaden the scope of the Bank Secrecy Act so that it included casinos. Would you explain the Bank Secrecy Act to us and the impact that it would have on gaming in Nevada?

Sure. I spent a lot of time in front of congressional committees and dealing with the Treasury Department and the Internal Revenue Service over this. The Bank Secrecy Act had required, up until that point, banks and financial institutions to report individuals who were conducting transactions in cash in

excess of ten thousand dollars, which meant if you were to deposit cash of ten thousand dollars or more, you had to fill out a particular form at the bank. And that form would include your social security number, some identity credential, and some other background information about you. It had your address, for example, of either your business or your home. The bank put in your physical description, but you had to personally fill out a lot of information on the form, and the bank then filled in more information. That information was all sent to the Internal Revenue Service and to the Treasury Department. That was fine in the setting of a bank where somebody's walking up with cash to a cashier's cage. You've got an individual standing in front of you. It's very easy. They say, "You want to take money out of here, or put money in here, here's the form you have to fill out."

Principally the Internal Revenue Service had determined that they believed the money was being moved about in the casino industry in ways that were defeating the Bank Secrecy Act, so that if somebody wanted to deal with laundering large amounts of cash, in particular small bills into large bills—because they were looking primarily at drug dealing at the time, although they believed there were other nefarious activities, but drug dealing was where they'd focus—that it could be done in casinos throughout Nevada relatively easily. Someone could bring in twenty-five thousand in ten-dollar bills to a cage and have it changed to hundreds. Well, it took a while for us to explain to the federal regulators that that was not the case, that casinos weren't in the business of changing money for money because they didn't get anything for doing that. What they wanted was money going across the table, and hopefully, staying across the table once it went across. [laughter]

But in any case, they decided to change the Bank Secrecy Act, Title 21 of the Federal Code of Regulations, to include casinos as financial institutions the way that phrase was defined. This meant that every time somebody had a ten-thousand-dollar or greater cash transaction in a casino, no matter where in the casino, they were going to have to fill out forms, which would have left Nevada in the position of having these forms underneath every Blackjack table, every baccarat table. Obviously, all the casino cages, even the slot floor, might have to include these so the people could fill out the Bank Secrecy Act forms and send them to the IRS. Obviously, that was an unworkable situation. It really made no sense for a casino operation. And so we spent a lot of time, both in front of senate committees and house committees, and in private meetings with the IRS and with the Treasury Department, trying to explain to them, first, how a casino operates, how money moves around a casino floor; and then secondly, why what they were looking for was going to be disruptive and I wouldn't say impossible, but certainly very difficult to try and enforce on a casino floor. And since it would become a federal law—and under Nevada state law any violation of any law by a licensee can result in revocation, federal, state or otherwise—we would be taking on the task of having to look over the shoulder of every casino operator to make sure they fulfilled their obligations under this federal law.

In discussions—and at the time it was Paul Bible who was chairman of the Commission, Bart Jacka of the Board and myself as a member—I was given the responsibility of working with the federal government on this issue. And so I spent a lot of time in Washington trying to get the federal government to understand both our concerns as well as the obligations of the industry to the State of Nevada. And ultimately, we came to the decision that it would be easier for Nevada to enact its own regulation that would somewhat mirror Title 21, somewhat mirror the federal banking regulations, impose it upon Nevada licensees, and receive an exemption from the change in federal law as long as we had our own reporting system. And I was able ultimately to convince the feds that a reporting system to us would be in their best interest, because it would not require them then to send hordes of agents out to the state of Nevada to roam around casinos and see whether or not these forms were getting filled out properly.

And ultimately, that's what occurred. They did change the Bank Secrecy Act, to include casinos as financial reporting institutions, and we were able to get an exemption from that as a result of Regulation 6a, which we adopted and which created a Nevada-based reporting system that we then shared with the federal government. And the funny thing is that after we adopted all of that, we took the forms that were being filled out by the casinos and sent to us, which we then agreed to share with the federal government, and we processed them and looked at them. We, in some cases, fined casinos for violations for not reporting properly, et cetera. But we then sent all these forms to the federal government, who promptly put them in a warehouse and ignored them for about ten years. [laughter]

Did the trial of Slyman and Dottore help to generate the inclusion of casinos in the Bank Secrecy Act?

I think the timing of it was coincidental. The Internal Revenue Service wanted this information. They were looking for mattress money. They really wanted to know the names of restaurant owners who had not reported cash in their businesses, or automobile dealerships who had been hiding money off the books. That was their real interest. The fact that Slyman and Dottore had gone to trial really just caused us more heartburn in our negotiations with them than ever really becoming a central issue. Every time I would say to them, "Look, this isn't really occurring in Nevada," they would then point to Slyman and Dottore and say, "Well, wait a minute! We got guys on trial now." So I would be stuffed in respect to that argument. [laughter]

Do the casinos in all the other states fall under the Bank Secrecy Act?

They do. At the time that the law was passed by congress, there really were only two jurisdictions with casino-style gaming: that was Nevada and New Jersey. And New Jersey chose not to join with us in our negotiations with the government, and instead chose to be under the Bank Secrecy Act and regulated by the federal government. The result of that, several years later, was that the federal government came after, criminally, several casinos in Atlantic City for violations of the act, as well as coming after several individuals. And at that time, once the criminal actions were undertaken, the New Jersey industry decided maybe they should try and follow Nevada's lead, but by then it was too late. [laughter] They're still under the Internal Revenue Service and Treasury Department. [laughter]

Are the Indian casinos exempt because they are sovereign nations?

They're not. They made that argument. About five years after we passed Regulation 6a here they made that argument and lost it in federal court, and, in fact, have to comply with the federal act. Now, what happens is that in most cases other than Connecticut—which is really an aberration in Indian gaming because they are so large and they handle so much money—there really are very few tribes that would ever approach that ten-thousand-dollar limit anyway. They just don't do the business.

The Royal Casino, operated by Slyman and Dottore, proved to be a big problem for regulators in Nevada, as during a two-year period, between 1986 and 1988, they had dozens of Regulation 6a violations. What action did the Gaming Control Board finally take in 1986?

Initially we had disciplinary actions with Joe Slyman, one of which led to an agreement that his

license be limited in time so that we would have a handle on him every year. Under Nevada law, the burden is on the applicant to prove both their ability as well as their good character with respect to a gaming enterprise. Once they're licensed the burden shifts to the state to show either their bad character or *lack* of ability in order to remove a license. So we were in a position where when all these violations occurred we had to prove either bad character or lack of ability or whatever in order to revoke a license. As a result of our disciplinary actions, Mr. Slyman agreed to a limitation in the time his license would expire, and then he would have to renew it at that time, which would put the burden back on him to prove to us that he had the ability and/or was of good character. Once that was in place we then had a series of hearings over those limited licenses when they were about to expire, because of his continuing inability to comply with regulation. And it became clear, I think, from the numerous hearings that we held that while he may have been very sincere—and I say “may have been” because I’ve never really determined for myself whether he was or not capable of running an operation under the rules and regulations of the Gaming Control Board—ultimately we allowed his limited license to expire, which was the same result as revoking it; they closed the place. And there were other things. It wasn’t just the regulations with respect to money laundering or the way he kept safekeeping money behind the cage, but also his association with James Tamer who was a revoked licensee and was in the “Black Book” at the time, the *List of Excluded Persons*. Joe Slyman had admitted to meeting with him in a hotel in Las Vegas, which would have been a violation by Mr. Tamer. It would have been a misdemeanor violation for even being in a casino. And Joe Slyman admitted that he had met with him and had dealings with him.

That’s almost a cause for a revocation, isn’t it?

Exactly. Yes, that in and of itself was a huge problem.

So eventually was his license suspended?

Well, it was allowed to expire, so the casino closed and then went through a series of attempted sales. Ultimately it was sold to someone who was suitable to reopen the casino.

Where was it located?

The Royal was located on Convention Center Drive, which is perpendicular to the Las Vegas Strip and to Las Vegas Boulevard South. It is probably two hundred yards to the east of Las Vegas Boulevard directly down from the Stardust Hotel. And currently—I’m not sure—I believe it’s still called the Royal, although I haven’t been by it in a long time.

In 1986 Charles Bluth applied for a license to operate the Cal-Neva Lodge at North Lake Tahoe. Would you tell us about that application and any problems the Board may have had with the licensing of Mr. Bluth?

Yes, as I recall, we had a variety of concerns about Mr. Bluth, not the least of which was the way he had conducted business prior to his wanting to come into the gaming industry, and that was what appeared to be business through litigation. He was consistently in lawsuits. And, you know, lawsuits in America are a way of life, and I think everybody on the Board and Commission understands that, but

when you see a *tremendous* number of lawsuits—and by that I mean far and away more lawsuits than you would expect anyone to be involved with in their entire *lifetime*—and you see that encapsulated in a ten-year period, [laughter] you really have concerns that if this person comes into the gaming industry that they're going to be in lawsuits with their vendors, and potentially even the state over things as simple as collecting taxes. As I recall, that was our biggest concern with Mr. Bluth. I know we went through several hearings with him and ultimately granted him a limited license, limited in time, until we could be assured that he was actually going to be running his operation as a business and not as a back-up for some legal practice that somebody may have. [laughter]

Well, did he seem to have the appearance that so many people do when they come into Nevada, that they are more or less untouchable, that they don't feel that a license is a privilege?

Oh, yes. And I wouldn't want to single him out because there were so many that appeared in front of the Board [laughter] when I was there that had an attitude that frankly they didn't understand licensing, they didn't understand the idea of privilege versus right, and presumed that this was a zoning change that they were asking for and that they somehow had a God-given right to it. It was amazing. And certainly he fell into that category, the number of people that came in front of us with significant problems for us as regulators, in their background, whether it be business or personal, who then stood there in front of us and basically said to us, "What's wrong?! Why aren't you giving me a license!? What do you mean I can't have this?" And that was a problem. And yes, he ruffled a lot of feathers amongst regulators just with his attitude, which was basically, "Go to hell."

[laughter]

You know, "I'll do what I want to do, and if you don't like it, tough." But once we explained to him that that's not quite the way it works, and if we go to hell we take your license with us, [laughter] then I think he got the understanding of what it was all about. But I think for a year or maybe two years of his limited license, he continued to butt heads with our investigators, with our auditors, with anybody who came on the property.

He sounds like kind of a maverick.

Yes. And then he had a very unfortunate incident where his son ended up killing an intruder in his home in California. I think that made everybody a bit more sympathetic, but we still had to keep explaining to him that it was a privilege and not a right. [laughter]

In 1986 a well-known Las Vegas casino operator, Carl Thomas, was nominated for the List of Excluded Persons, commonly known as the "Black Book." During the hearings for Thomas's inclusion in the black book, you were asked to specify the criteria that would result in Thomas's entry in the book. What were some of the criteria you listed?

I'd have to look at a transcript to give you a complete answer. But clearly, number one would be his conviction for his involvement in helping organized crime skim from casinos. In addition, his affiliation with organized crime members. Mr. Thomas had been tape recorded on a bug that had been

placed in the basement of a home in St. Louis where the Civella brothers, who were at that time in charge of an organized crime family, met with Carl Thomas, and he explained to them how to properly skim money from the Tropicana Hotel and Casino. That affiliation with them—obviously, his knowing involvement and participation in a skimming operation for the Civellas—as well as his own skimming operations that he had admitted to, were more than enough to include him in the “Black Book.”

The issue at the time that we were looking at his inclusion, and probably the controversy that ended up surrounding his appointment to the “Black Book” by the Board, was that he was in prison and had not cooperated with gaming control authorities in identifying other members who had been involved with him in various skimming operations over the years. Because of his refusal to cooperate at all, it was alleged that his nomination to be included in the “Black Book” was retribution somehow, or additional punishment somehow by the Board of a man who was doing his time, but who was, in fact, cooperating with the federal government. He was willing to testify at a criminal trial in Kansas City regarding the Civellas and others who had been involved in skimming operations, but that somehow the State of Nevada was trying to further punish him by saying he was not cooperating.

What I tried to make clear at our hearings over Carl Thomas was that we would appreciate it if he would, in fact, help us by identifying other members of his various skimming operations, and let us know who may still be in the industry that would have been involved in those operations so that we could remove them. And most importantly identify him as somebody who had been such a high-ranking executive in a variety of gaming enterprises, and had even owned gaming enterprises, to be that corrupted and that fully involved in cheating, not just the State of Nevada, but potentially cheating thousands of tourists, that that was in the lexicon of gaming a death sentence; that you should not only never be allowed back into the industry, but you should be a pariah; you should never be allowed to walk onto a casino floor again. That if *anybody* deserved the highest punishment it would be somebody of Carl Thomas’s background, and somebody who had done the kinds of things he had done. And it was a difficult argument because I think people in the face of it looked at it and said, “Well, no, it just looks like you want to force him to try and help you.” And that really wasn’t it. He really was a pariah and deserved to be excluded from gaming circles throughout the world.

Was he highly thought of in the community?

Extremely highly thought of. He was very, very well liked. It was the only time that we had a “Black Book” candidate in front of the Board when I received phone call after phone call after phone call from people I had known for years telling me what a wonderful man he was. And I had to tell each of them in turn, “I’m sorry he’s such a wonderful man. It’s a shame that he has fallen so far, but there is absolutely no way I ever want him to walk on a casino floor again.” And he went on prior to his death to get very involved in Las Vegas real estate. He had a real estate development company, and he was buying and selling properties all over southern Nevada. But then, amazingly, he died in a one-car crash in rural Oregon. And I guess conspiracy theorists will ultimately decide what that was all about. But yes, his death was very surprising to us.

It appears as if people accepted him. To be a success in real estate you need to have a lot of friends.

Absolutely. I don’t believe he ever lost the friendship of the people he had worked with, and I don’t think he ever lost their respect, which amazes me, because I thought if anything they should look to

the fact that here is a man who's prepared to take our number one industry, that we need to protect and nurture, and trash it—which to me is even worse—a bunch of outsiders, a bunch of people who are not Nevadans who weren't members of the gaming fraternity, if you will, and he was prepared to trash it for them.

Is there actually a criterion for listing people in the “Black Book?”

There is. It's in regulation, and it's very precise. It talks about convictions of crimes, notorious and unsavory reputation, affiliation with others who are members of criminal enterprises, et cetera. It's a very specific list. And in most cases—in fact, in virtually every case—someone who is nominated for it hits more than one of those criteria. But you only need one in order to be included. And, yes, probably the one that's the most difficult to deal with is “notorious and unsavory reputation.” Regarding Frank Rosenthal, “Lefty” Rosenthal's inclusion in the “Black Book”—he only had one prior conviction, and that was, I believe, in the 1960s, and it was for fixing a college basketball game. But that was the only conviction he had. Other than that, what we had was “notorious and unsavory reputation,” which was extremely well documented. [laughter] But still a more difficult standard than an objective one where you can say, “Well, here's a conviction, here's no conviction.” You know, “Here's somebody who's done this or not done that.” Instead we had a lot of newspaper reports, a lot of intelligence sources from a variety of places. In fact, most of the intelligence was from various organized-crime task forces around the country, and what *they* had gathered about “Lefty” Rosenthal.

What official body actually nominates someone for inclusion?

The Gaming Control Board makes the nomination. We actually restructured it when I was on the board. The *List of Excluded Persons*, the “Black Book,” had not been added to for years when I joined the Gaming Control Board. It had really gone out of favor as a tool of enforcement, if you will, for the Board. In doing some research on it when I joined the Board, I found it originally had been proposed by a member of the Board who was an ex-FBI agent, and who had been accustomed to Hoover's *Ten Most-Wanted List*. And he thought, “What a great idea. We'll have our ten most-notorious list, and these people will never be allowed to go in a casino.” The original book itself was a group of people who had, in the 1950s and 1960s, been pretty notorious and involved in gaming crimes and a variety of things.

Was it Ray Abbaticchio that started the list?

Yes, it was. But, in any case, it really hadn't been used much. Occasionally, somebody would be added to it, but it really hadn't been much of a tool other than a statement by the Board that these people are really persona non grata in the state of Nevada. When we got on—and by “we” I mean Bart Jacka, myself and Guy Hillyer—we decided that we would take it seriously. And so we tasked the special investigations and intelligence division to start putting together background information on people from the 1970s and 1980s who would deserve to be nominated to go onto this list. I think in the first couple of years that I was on the Board, we put eight new individuals onto the list. We nominated eight, and all eight were included by the Commission. And in making it a more active list, we looked to the State of New Jersey, which had their own excluded persons list. But theirs was extensive, and it was a very quick proceeding. It was done outside of the regulatory body. It didn't require that the New Jersey Gaming

Commission to do much more than stamp approval over what was otherwise a hearing in front of an administrative judge, where the agents would bring the information and the individual would have a chance to refute it, and the administrative law judge would make a decision. It would go to the Commission, the Commission would stamp it, and boom, they're on.

Ours was a much more complicated process, and so it was more difficult. In New Jersey they were putting people who snatched pocketbooks on their list of excluded persons. Ours required much more due process and chances for the person to be heard, required the Board to do much more background checks. And so between special investigations and the attorney general's office we were getting more cases prepared and ready to go in front of the Commission. We put about eight people, I think, in our first two years. The Board nominated, the attorney general's office and special investigations pulled together the background, and we held hearings in front of the Commission to put them in the "Black Book." And I believe it has been accelerated beyond that today.

You've mentioned "Lefty" Rosenthal earlier, and the reasons for putting him in the book. Were you on the Board when he was put into the "Black Book?"

Yes, I was chairman of the Board when "Lefty" was put in. For me it was kind of an amazing circle, if you will. I had worked at the Stardust Hotel in the late 1960s, early 1970s, when "Lefty" Rosenthal, although not titular head of the property, certainly was in charge of the property. We as employees all knew that he was in charge of the property and what he was doing, but it took the gaming authorities awhile to be able to prove that and force him out of there. [laughter] So then years later—a decade or more than that, fifteen years later probably—to bring him in front of the Commission and to be included in the "Black Book" was really coming full circle, and certainly didn't gain me a friend. [laughter]

[laughter]

He was rather upset. The current mayor of Las Vegas, Oscar Goodman, was his lawyer. Between the two of them I think I was called probably more names than I was aware were available to be called. [laughter] But, yes, we nominated him, and I actually appeared at the commission hearing to see that he was put in the "Black Book," and he was. Part of his defense was that he wasn't even coming to Nevada anymore. But I would note that not long after that he went onto the internet and set up his own website to start touting sports wagering information. [laughter]

Was that his strong point?

Yes, he had always been either a bookmaker or a lines and odds setter. And apparently, the one thing that in his heyday he did extremely well was forecast the outcome of sporting events by doing a lot of research, and in some cases spending a little money to make sure the outcome was the same as he predicted. [laughter]

[laughter] Who were some of the other people entered in the "Black Book" during your tenure on the Board?

We put in probably the first husband and wife duo, the Vaccaros, John and Sandra. John and Sandra had run an especially prolific cheating ring, and they were involved in table cheating, but slot cheating was what they specialized in. In fact, they had a slot mechanic who set up the jackpots, who was probably the finest slot cheat that I have ever come across. In fact, one of the stories about their cheating ring was they would set up small jackpots—five thousand dollars, three thousand dollars, four thousand dollars—in order to give them money to live on while they worked toward setting up million-dollar, multi-million-dollar jackpots. They were ultimately brought down by a million six [\$1,600,000] jackpot set up in Lake Tahoe where the collector tried to take all of the money, was then in fear of his life, and finally rolled over and explained to authorities what he'd been doing, and that was what brought the Vaccaro gang in. Their mechanic who actually set up the machines was so good that, in setting up one of these five-thousand-dollar jackpots for living money, he opened the machine at a hotel in Reno and found out that the reel mechanisms were broken, and he couldn't set up the phony jackpot. So he took the entire set of reel mechanisms, which is fairly weighty, hid it under his coat, walked out to his van outside, repaired them, brought them back in and set up his jackpot to get him four or five thousand dollars to live on. That's how good he was. [laughter] So catching that gang was huge. And then making sure that they never went into casinos again was even more important because clearly their proclivity was to continue on cheating slot machines the rest of their lives. [laughter] They had no other line of business. [laughter]

Some people, like the Vaccaros, for example, are included in the "Black Book" because of their slot cheating ability. Is there anything to prevent people who have been entered into the "Black Book" from entering into an establishment such as a bar or an airport area where there are slots, but no other kind of gaming?

No, they're actually allowed to go through restricted areas. One of the concerns about the "Black Book"—and it's actually been litigated; it was litigated by Anthony Spilotro—was the argument that because gaming is so pervasive throughout Nevada, that you are hindering someone's ability to associate with others in violation of the Constitution and/or to travel freely in violation of the Constitution. Because at one point the Union Pacific Railroad station for Las Vegas was at the Union Plaza Hotel at the base of Fremont Street, the argument was that you could not get on a train without going through a non-restricted location, and if you were in the "Black Book," that would be a crime for you to do that. And the court threw that out, indicating, first of all, there were other routes to get to the train station without having to walk through the casino; you can actually get there other than that. And the Board's view was that being in a restricted location was not a violation; it was only non-restricted locations that you were excluded from, meaning that it had to have more than fifteen slot machines and/or table gaming. And so going into a grocery store was acceptable for somebody who was in the "Black Book." And actually, going through the airport, even though that's non-restricted, has always been viewed as an exception to the "Black Book," because it was never the intention of the exclusion list to keep people from being able to get on an airplane.

Presently there are some large casinos that are slots only. Are "Black Book" members excluded from them?

Yes, their non-restricted licensing status would probably entail a violation for anybody who's on the *List of Excluded Persons*, in particular those who gained their entry into the list as a result of being

slot cheats. To have that kind of an exclusion not valid in a location with a hundred machines would be ridiculous, and obviously would defeat the purpose.

In 1987 Ginji Yasuda was licensed as the owner of the Aladdin. Would you tell us about that application and why it has such historical significance?

Yes. Mr. Yasuda was a Korean, but a naturalized Japanese for purposes of passports, who had significant sums of money as a result of owning real estate in Tokyo. He became the very first Japanese national to be licensed by the Gaming Control Board to own a casino in the state of Nevada. The way that came about is the Aladdin had been in significant financial trouble for a number of years, and ultimately was in bankruptcy. Mr. Yasuda had been a high-roller in Las Vegas for a number of years, and had been hosted in Las Vegas by a gentleman named Ash Resnick. Ash worked for the Caesars World organization at Caesars Palace and was Mr. Yasuda's host whenever he came to town. And Mr. Yasuda used to come to town and lose millions of dollars during his stays.

At some point Mr. Resnick told Mr. Yasuda of the availability of the Aladdin. By this time Ash had moved to the Dunes Hotel and Casino. He told Mr. Yasuda about the Aladdin's availability in bankruptcy and got him interested in being an owner. So Mr. Yasuda went through the bankruptcy court process and purchased the hotel for about fifty-one to fifty-two million dollars, which, while not a bargain, was a very good price. He purchased it out of the bankruptcy that had been filed by Ed Torres. Ed Torres and Wayne Newton had owned it jointly. Torres bought out Newton and then went into the bankruptcy and sold it to Yasuda.

While the Gaming Control Board had gone through investigations in Japan previously—we'd had two slot machine manufacturers from Japan that had been licensed by the Board—this was the first time that the Board was licensing an individual for casino ownership who was Japanese, or a Japanese national. And as a result, the Board, through its investigation division had to acquire a lot of skills that it didn't have—first of all, the Japanese language, [laughter] but also getting contacts and sources in Japan that would provide the Board with the kind of information necessary. For example, in Japan a criminal record is considered *extremely* private and may not be shared, so the Japanese police could not tell us whether or not Mr. Yasuda had a criminal background, because it was illegal for them to share that information. So we had to develop a variety of avenues of information sharing, a lot of which was by having agents over there getting up close and personal with Japanese bureaucrats and Japanese police. So really, it forced the Board to set up a network, an information network, that never existed prior to that, because the previous investigations had been in large part—and, in fact, almost exclusively—focused on the companies and not individuals. We had never really done the kind of personal history investigation of a Japanese national that we were required to do under Mr. Yasuda's application.

As it turned out, it was good for the Board to go through that process given what happened in the next couple of years when we had two or three other Japanese nationals come through and we already had our basis of information in place, and so it worked out very well. Unfortunately for Mr. Yasuda, he ended up getting a license, which meant that he was able to then run the Aladdin. He promptly ran it into the ground. He spent a significant amount of money renovating it, only to end up losing it to bankruptcy years later.

Did he hire experienced Nevada personnel to operate the property?

Yes, he did. He hired individuals who knew the business and could have run it profitably for him. The problem was that he wouldn't let go. And probably the most telling story about Mr. Yasuda is how he treated high-rollers. One of the things he felt was going to make the Aladdin extremely profitable was his knowledge and his friendship with other Japanese nationals who had a lot of money and enjoyed gambling. And so his plan was to buy several aircraft. He then would use one of his own aircraft—a 737—fill it up with friends of his who were high-rollers as well, fly it to Las Vegas, have them stay at the Aladdin, and he would then make a lot of money. Problem was he would do that—they would come to Las Vegas, they would stay at the Aladdin—but he was so fond of gambling he wanted to gamble with them. But he couldn't do it at the Aladdin, which he owned, so he would take them to the Dunes or to Caesars Palace, and they would lose all their money there. In the meantime, he's hosted them and he's paid for everything for them, and naturally he ended up with no profits.

[laughter]

On top of which he would lose money when he went gambling with them, so he just couldn't quite get out of his own way in order to allow the place to become profitable.

Are there any other interesting applications that you recall?

Well, we had another Japanese national who purchased the Dunes Hotel and Casino. He had been an officer in the Japanese navy in World War II. His background investigation took a significant amount of time, principally because he had been involved in as many as thirty different corporations in Japan. And while doing his personal background, we also had to then look at least superficially—in some cases in some depth—at these various companies that he had been an owner of.

What was his name?

Masao Nangaku. In any case, we'd spent approximately eleven months in this background investigation with agents in Japan and the United States, and it finally was time for us to consider the application, and it was in the month of December. And our meeting in December was scheduled for December 7. Since I was chairman at the time, I felt it was probably inappropriate to have the meeting on that date. It was going to be contentious, and I wasn't sure whether he was going to get licensed or not, but I knew I didn't want to hold it on December 7 with a member of the Japanese navy from World War II, so we moved it to the eighth. *[laughter]* And he was licensed. Then the Dunes ended up in bankruptcy within two years of his ownership of that location. *[laughter]*

Is there anyone else you recall?

We did have one gentleman who had been one of the original owners and builders of Caesars Palace and he came back twenty years later and was trying to purchase a majority interest in a machine manufacturing company. And he was in a wheelchair some of the time. It wasn't mandatory that he be in a wheelchair, but his body had been racked with several different diseases and problems, so he used a wheelchair probably 80 percent of the time. And I recall we had an investigative hearing because of some issues, Bart Jacka was chairman at the time, and Bart told him, "If you can walk to the podium at our

hearing on yours, I'll vote for you."

And sure enough [laughter] at the hearing, when we had the open meeting, he got up out of his wheelchair, walked the four or five feet to the podium, and Bart did vote for him. I voted no, and Bart voted yes. [laughter] In fact, I think Guy [Hillyer] and I both voted no.

So he got denied?

Yes, he did.

The 1980s and the 1990s were periods of gaming transition and the beginning of legalized gaming throughout the United States. What role do you feel the state of Nevada and you personally played that helped make gambling more acceptable in the other parts of this country?

Well, let me speak to Nevada first. The state, I think, was integral in the expansion of gaming throughout the United States. I can't tell you the number of discussions I had with legislators in different jurisdictions, all wanting to know whether or not I believed, or others in Nevada believed, that we could have a clean industry. In fact, to some degree, the amount of competition the state of Nevada sees today is a result of our success in cleaning up the industry. Had it not been for the variety of actions taken in the 1970s and 1980s to weed out both problem individuals, but also corrupted companies, then I don't think many of the other jurisdictions that now have gaming would have accepted it. The fact that we were able to make it a corporate culture and show the rest of the world that you could have both individual owners who are clean alongside public companies that could invest multiple millions if not billions of dollars to make an industry—if it had not been for that, I think most of the other jurisdictions would have turned it down.

I spent most of the end of the 1980s and the beginning of the 1990s in New Jersey with the Trump organization, but after that I spent a tremendous amount of time talking with legislators, and, frankly, brand new regulators. When some jurisdictions would decide to have gaming, they would appoint a board, and then the board members would start scattering about trying to find anybody who knew what the heck it was they were supposed to be doing, [laughter] because they'd never had anything like that in their state before. And so I spent a lot of time talking with legislators, talking with regulators about the kinds of tenets that founded Nevada gaming and what our whole purpose was in regulating gaming in the state, and why things were important.

Even so, and it seems silly from a Nevada perspective, but in some jurisdictions things as simple as internal controls in your accounting were foreign to them. They didn't understand why Nevada would bother worrying about how monies were accounted for, and why they didn't simply accept the check at the end of the month for the taxes. And in those conversations most of my time was spent trying, first of all, not to be patronizing to the people that I was talking with, because they simply were coming from a lack of knowledge. They weren't backward people. [laughter] It wasn't like we were trying to go to a third-world country. But by the same token, their questions were so simplistic, and their views on gaming were so simplistic, that it really required an education. And that education process in many cases took months. There's one particular regulator—I won't name him—but I probably spent the better part of two hundred hours over the course of six months trying to make him understand what it was about gaming that was unique, why it had to be regulated, why the different methods of regulation were either effective or ineffective, and frankly, just get him up to the point where he could feel comfortable as a regulator of

the industry.

These were the kinds of things that we passed on to the other jurisdictions. And I mean “we,” because the whole time I was on the Board we had different jurisdictions from Canada and Australia and from outside the U.S. that would come to us and ask us how, why, et cetera. But we had been the recipients of a tremendous learning curve that the state had gone through, that other regulators had gone through. You know, the idea of internal controls certainly wasn’t mine. [laughter] I didn’t come up with that. It took a long time for us to get there. And in many cases our regulations were the result of a problem. I mean, something cropped up, there was a problem, and once that problem was identified, then a regulation was looked at to try and solve it for the future. [laughter] We had been the recipients of all that had gone before us, and all of the wisdom that they had acquired through the mistakes that had been made in the past. So, yes, by and large, I tried not to be smug. [laughter]

Were there any organizations formed during the 1980s that were of benefit to the gaming industry as a whole, and also to the state of Nevada?

Yes, actually there were two. The first one started out as the National Association of Gaming Attorneys, NAGA. It was formed by Nevada lawyers in 1981. At the time the attorneys that formed it were the premier gaming lawyers in the state of Nevada. At the initial meeting, I was the lowly associate at Jones, Jones who had to draft the articles of incorporation and the by-laws for this. [laughter] But the meeting was amongst Bob Faiss, Bud Hicks, Mike Sloan, Frank Fahrenkof, Shannon Bybee, Frank Schreck, and Lyle Rivera. And they formed the National Association of Gaming Attorneys with the intent of including New Jersey attorneys as well, being the only other gaming jurisdiction in the U.S. at the time, which they did. Once the group was incorporated and had their by-laws in place, they immediately brought in three or four of the premier gaming attorneys from the state of New Jersey and held their first meeting, I believe, in the state of Nevada. After that it was determined that they should be offshore for all of their meetings. And as a result, the whirlwind tour of the world began for gaming lawyers, having held meetings now in places like Prague, Venice, London, Paris, Monte Carlo. They’ve pretty much seen the world. It evolved into the International Association of Gaming Attorneys, and now has attorneys from probably sixteen different countries that are members, including all of the jurisdictions in the United States that have any kind of gaming, and has developed into probably the most significant organization for the legal studies of the gaming industry and their regulations.

Then in 1988, while I was a regulator, a group of us met in Australia at an International Association of Gaming Attorneys convention. A group of regulators got together and we formed the International Association of Gaming Regulators. There were about ten of us present at the inaugural meeting. And that organization has blossomed so that it now includes regulators from probably thirty different countries. They meet annually, generally just prior to and during the Association of Gaming Attorneys meeting in whatever locale they’re meeting in, and truly allows regulators to not just exchange views and ideas, but allows them to forge bonds of cooperation, which was the initial impetus for putting it together, where information would be shared, all regulatory techniques would be shared where you could find someone with a joint interest in an applicant. If that company or that individual was crossing borders in order to grow their business, you could then share the information, and perhaps share the regulatory duties of watching what they’re doing. And so those two organizations, I think, have been key in bringing the *business* of gambling on a worldwide scale into some focus for both the attorneys and the people who were charged with regulating them.

Do you still belong to both organizations now?

You can't belong to the International Association of Gaming Regulators unless you are one. So I was ousted as soon as I left the Board, or politely left off the charter. [laughter] But I'm a member of the board of trustees of the International Association of Gaming Attorneys. The trustees actually meet twice a year, but the organization meets annually. Last year's convention was to be in Paris, and it was following too closely on the heels of 9-11 [September 11, 2001], so that was canceled. We had a meeting in London instead, and this year we'll be meeting in San Diego.

What are some of the actions currently being taken by the industry to improve gambling's image?

Probably the most pressing issue for the industry has been problem gambling. And I hate to say it, but Nevada has really been lagging behind other jurisdictions in this regard.

Is New Jersey pretty active on this issue?

New Jersey has been active in it for years. Even back in the early 1990s when I was in New Jersey, they had very active campaigns for problem gamblers, as well as teenage or underage gaming. One of the earliest programs put in place was actually a result of a disciplinary action against Harrah's. Harrah's had been caught with underage gamblers on their casino floor, and while the New Jersey commission fined some hundreds of thousands of dollars, probably the more important thing is they required that they put together an ad campaign that was not just in terms of billboards and television but also a pro-active campaign in *schools* to combat underage gambling. And Harrah's, being what I believe to be the good corporate enterprise that they are, then took that to heart and actually went further with it than the state required, and really became very active in both problem gambling *and* underage gambling. In fact, in New Jersey in the 1990s, all advertising from any casino was required to include a phone number for problem gamblers. So they've been very active in that area. And while I personally believe that the best information out there shows us that probably less than two percent—closer to one percent—of all people exposed to gambling will develop a true problem with gambling, it's still something that can't be ignored, and the industry has an obligation to deal with it.

The Nevada industry really put its head in the sand for decades and tried to ignore it as if it was not going to cause them any concern ever. And it wasn't until Nevada-based gaming businesses started to go into other jurisdictions that they realized that they were going to have to do something with respect to this. And luckily for the industry, at that time the American Gaming Association had been formed and really acted as a vehicle to allow the members of the industry to get involved in problem gaming without directly doing something at, for example, their own properties. Unfortunately to say, it wasn't until probably 1994 or 1995 that the *local* gambling industry—and by local I mean the slot machine route operators and the restricted locations: the bars, the taverns, the supermarkets—got involved in that issue as well. And that was really as a result of the City of Las Vegas trying to impose certain restrictions on them, and the industry finally ended up recognizing that they too had to deal with that. So they're now dealing with problem gaming as well. My personal view is that there's probably far more money being spent on informing the public than there should be and not enough money being spent on helping treat those people with the problem than there should be. But I think over time that will balance itself out. A

problem now, however, is in the United States, you don't have to be in a jurisdiction that allows gaming; all you have to have is a computer and an internet service provider and you can gamble all you want. [laughter]

What do you consider to be your most important accomplishments during your time on the Board?

Boy, that's tough. Let's see. Regulation 6a, keeping Nevada casinos out from under the regulatory supervision of the Internal Revenue Service and the Treasury Department, I think has been key to keeping the Nevada industry as healthy as it has been. Those regulations will be stifling to many Indian jurisdictions that have run afoul of them but have not yet been brought to task about them. I spent a significant part of my time, both in the attorney general's office and on the Board, helping Congress shape its policy toward Indian gaming. This is probably not well known: the original bill that would have authorized Indian gaming at a federal level was killed by the state of Nevada. Brian McKay and Paul Laxalt, on behalf of the industry, were able to kill the first bill that was introduced. The next year that a bill was then taken up, we in Nevada had shown the Congress the way to allow regulated Indian gaming, and that was by virtue of having signed a compact with the southern Nevada Paiute tribe that would allow them in Laughlin to open a casino that would be regulated by the State of Nevada, under a compact, but that would not be taxed by the State of Nevada. The compact called for inter-governmental payments to be made by the tribe to the State of Nevada for the cost of regulation once they opened a casino. And they now have that, although it took them many years to get the financing to do so. By having done that in the state of Nevada, the home of legalized gaming, I was then able to go back to Congress and show them that a state government could, in fact, work with a sovereign tribe within their geographic borders and regulate the gaming enterprise through agreement government to government. That was not the approach that was originally taken by Congress, but it was the approach that was ultimately adopted. And it really was adopted because Nevada proved it could be done. And so I'm very proud of my time spent in trying to make that come to fruition.

Let me think, what else? One of the things that I did enjoy, and I feel very proud of, is getting the industry to understand that gaming regulation can be very professional, can be as professional as they are when they run their businesses, and that we're not necessarily the bad guys; we're more the cop on the beat. We are somebody who can help as well as arrest. We can go into an operation and give them as much support as they need in any situation. That cooperation with the industry, I think, is something that has now become pretty much a standard routine and policy of the Gaming Control Board, and I'm pretty proud of that.

Yes. That's a very good point, that you're there to help them and you're not there to pick on them.

Well, exactly. There was a time before I was on the Board, if somebody identified themselves as an agent of the Board everybody left the room. [laughter] Nobody wanted to be around, like the IRS: "I'm here to help you," and everybody ran away. But I think during my tenure there we were able to get the industry to understand that there were a lot of things we can do: we can be a blocker for them, we can be a tackler for them and when they need help we can help them.

As an attorney who has served on the Board, along with having served as a counsel for gaming applicants, what advice would you give to an aspiring gaming attorney representing a client before the

Board?

First and foremost be prepared. If you're going to appear in front of the Control Board and the Commission, you *really* need to know everything there is to know about your client's background, any issues they may have. You need to be able to explain that. You need to really create a stream for the Board and the Commission. You need to be able to start at point A and take them to point B or C or D, and do that in a way that is undoubtedly in your client's best interest, but also is very, very honest, because lack of honesty would be the first thing that will kill you. If you're not viewed as credible in front of the gaming regulators, then your client's dead to begin with. Doesn't matter how good they are.

When did you resign from the Gaming Control Board?

I didn't actually resign. I believe I held three different terms of office. When I was first appointed I was appointed to fill the unexpired term of Patty Becker, which had about two years. Once that term expired, I was reappointed to it for my own four-year term, and then Bart Jacka resigned a couple of months later and I was appointed to fill his unexpired term, [laughter] which lasted for the rest of what would have been a full four-year term. So I did four years and left after the last of my three appointments expired. [laughter]

Was there any particular reason that you left?

Absolutely. No question about it. I left because then-lieutenant governor, soon-to-be governor Bob Miller, had proposed a cooling-off period. When Bob Miller was lieutenant governor he had been pushing this legislation to require gaming regulators and the Public Service Commission regulators to spend a year outside of the industry prior to going to work for the industries they regulated. Worthy and laudable goal. I told him when he was lieutenant governor and proposing this, that I felt he was being very short-sighted, certainly with respect to gaming, in that his legislation would only cover eight of us: three members of the Board, five members of the Commission. And I explained to him that that, in my view, made us look like people that couldn't be trusted. And if, in fact, what he wanted to do was to avoid the appearance of impropriety, what he should propose is that no member of the agency, whether it be a secretary or a chairman of the Board, would be allowed to go into the gaming industry for a year after they left. The rule in New Jersey at that time was a year for staff and two or three years for the members of the commission. And so I told him that in my view, that was the way to do it. Don't single out three political appointees on the Board and five political appointees on the Commission because you make it look as if *we're* the ones that can't be trusted, when I guarantee an agent, who has just completed an investigation is going to be much more worthwhile to somebody in the industry who wants to do nefarious activities than I am.

He, for whatever reason, chose not to do that. So once his legislation passed, it was passed as a restriction on anybody appointed to the job in the future, which meant that myself and others who had already been appointed were not covered by it. We were, quote, "grandfathered in," unquote. I was in Australia at the inaugural meeting of the International Association of Gaming Regulators where we set up the organization, and he called me, having been elected governor—this is toward the end of 1988, toward the end of my term where it would expire naturally—and said to me that Bill Bible, who had been the head of budget, was going to be his choice for chairman, but would I stay on for two or three months and

allow him—him being the governor—to use Bible in the role of lobbyist at the legislature. And I said to him, “No, Bob. I’m sorry, Governor Miller. It’s not going to happen, because I told you that your legislation was horrible. I told you how to correct it. You chose not to listen to me. And if I accept a reappointment from you, even for a three or four-month period, I will be covered by the law that I told you was stupid.”

And so I did not choose to stay on, and I left at the expiration of my term. What I *did* do though, because I believed in the *spirit* of what he was trying to do, is I did not go to work for any licensee that had ever been licensed in front of me or who had come before me. So as a result of my own personal convictions, I went to work for Trump, who was never licensed in the state of Nevada.

Were other regulatory agencies covered under that law?

Only the Public Service Commission and gaming.

So you were one of the last regulators not restricted.

Let me see, it was myself and Dennis Amerine who was the board member in charge of the audit division, and I believe Gerry Cunningham also, who was in charge of enforcement. Yes, the three of us were the last ones.

When you left you say you went to work with Mr. Trump. How long did you stay with Mr. Trump?

I was with Donald for approximately three and half, four years. Initially the idea was to put together a project in the state of Nevada, whether it be building from the ground up or buying an existing casino and modifying it. We had a horrendous accident for our organization: we had three of the most senior executives in the Trump gaming organization killed in a helicopter crash in New Jersey. And as a result, in 1989, I went back to New Jersey, worked first with Robert Trump, his brother, to open the Taj Mahal casino, and then continued working back there as executive vice president of Trump Castle. And that lasted until early 1992, when I had pretty much had enough of New Jersey regulation, but more importantly, had enough of New Jersey and the East Coast. I grew up in Nevada, I love Nevada. I had no interest in living in New Jersey or New York, or *anywhere* on the East Coast.

So where did you go when you left Mr. Trump? Did you come back to Nevada?

For a very short period of time I was with Anchor Gaming, which at that time was simply a slot machine route and one casino in Colorado. While I was there we designed and built a second casino in Colorado. Ultimately it became the most profitable casino in the state in Black Hawk. But I was there for only about seven or eight months and then I went with Circus Circus Enterprises, now Mandalay Bay Group. I was director of corporate development for them, and in that role I spent a lot of time on the road looking at gaming opportunities in other jurisdictions, principally U.S. but also outside of the United States. And during my tenure in that position I was seconded to a consortium of Circus Circus, Caesars World, and Hilton Hotels Corporation to build and open the temporary casino in Windsor, Ontario. And so I was the first managing director of Windsor Casino Limited. Opened it, got it up and running, and then went back to Circus Circus as the head of corporate development. Just after I got back I was asked

again to go back to Anchor Gaming, and I became president and CEO of Anchor Gaming, which at that time was a public company with a market value of about fifty, sixty million dollars. And when I left five years later it was about five hundred million. It had been as high as a billion, but it came back down, markets being what they are. [laughter]

And now you're with Acme Gaming?

Acme Gaming is a company I started so that I have a vehicle to consult with casino operators and internet gaming enterprises that are looking for some help. But by and large, I'm retired. My wife says "unemployed;" I say "retired." [laughter]

[laughter] You are married?

I am married.

And how many children do you have?

I have no children. But I've been lucky enough to marry a woman who knows more about finances than I will ever learn. She's an M.B.A. out of Oregon, and was the head at one time of the Gaming Control Board's corporate investigations section. So she was in charge of corporate investigations into every public company for about a seven-year period. And subsequent to that she was the person who set up and built the internal corporate section at IGT, so she was in charge of all their compliance throughout the world.

Is she still working?

No, I forced her to retire. [laughter]

Are there any other comments that you would like to add?

The only thing I would say is I think this is a *tremendous* program [the Oral History Program's interviews with former gaming regulators], a tremendously worthwhile program, and I look forward to listening to everybody else's interview.

BRIAN SANDOVAL



Governor Brian Sandoval was appointed to the Gaming Commission in 1998, becoming its chair the following year. Sandoval was born in 1963 in Redding, California, grew up in a rural area in Sparks, and graduated from Bishop Manogue High School in Reno. He received his Bachelor of Arts degree from the University of Nevada in 1986 and his law degree from the Ohio State University Moritz College of Law in 1989. Following several years of private practice in Reno, he was elected to the Nevada Assembly in 1994 and reelected in 1996. In 1998, he resigned from the legislature to accept the appointment by Governor Bob Miller to the Gaming Commission. Sandoval stepped down from that role in 2001. In 2002 he was elected Attorney General of Nevada, and in 2005 he was appointed United States District Judge for the District of Nevada. He was elected the 30th Governor of Nevada in 2010 and re-elected in 2014.

Brian Sandoval, ca. 2003. Photo courtesy of Brian Sandoval.

Dwayne Kling: This is Dwayne Kling. It's February 24th in the year 2004. I'm with Brian Sandoval in his office in Carson City, Nevada.

Mr. Sandoval, does the Oral History Program of the University of Nevada have your permission to record this interview?

Brian Sandoval: Yes, it does.

Thank you very much. Let's start out by you telling me when and where you were born.

I was born on August 5, 1963 in Redding, California.

How did you happen to get to Nevada?

When I was young, our family moved around quite a bit. My father was employed by the Federal Aviation Agency, and so I was born in Redding. We moved from there to Salt Lake City, Utah, and from there to Los Angeles, California, and then from there to Fallon, Nevada. And he had received a promotion to Fallon, which some people wouldn't call a promotion. [laughter] You know, I dearly love Fallon, but for some, to move from Los Angeles to Fallon was a big change. And then from there we moved to Sparks, and that's where I was raised.

So did you experience your early education there in Sparks, in the grammar schools?

No, I attended St. Therese's Little Flower Elementary School in Reno, and thereafter attended Bishop Manogue High School in Reno, and then the University of Nevada.

When you were a young man did you have any role model that you patterned yourself after?

You know, I've always admired Abraham Lincoln from the earliest of ages, just based on his performance as the president and the courage and conviction that he exhibited as well as his ability to succeed despite a very challenging background and a very humble beginning.

It's quite a good role model. [laughter]

Yes. And then as I grew, obviously my parents were strong role models for me. They both worked very hard, they both had full-time jobs, and enabled us—my brother and my sister and I—to attend the Catholic schools. And so I admire them greatly. Then as I moved on and got into college, Senator Paul Laxalt is probably one of my greatest icons in terms of statesmanship and representing the state of Nevada.

After you'd received your degree at the University of Nevada in Reno, where did you get your law degree?

I attended the Ohio State University College of Law. I applied to several different schools and decided to go there. That's where my brother had attended veterinary school. It had a very respected law school, and I was eager to see a different part of the country. And so I moved to Columbus and spent three years there.

After you received your degree, did you come back to Nevada?

Yes. While I was in law school, I worked at the Ohio Supreme Court as a judicial extern, and that was a great experience for me. I also had worked for a small law firm in Columbus and had an opportunity to stay there, but I was very eager to get home. You know the old saying, “You can take the kid out of Nevada, but not the Nevada out of the kid,” and it was important for me to return to Nevada. I was fortunate to obtain employment with a very large statewide law firm, McDonald, Carano, Wilson, McCune, Bergin, Frankovich & Hicks, and began my legal career there. After getting out of law school I immediately took the Nevada Bar Exam and the California Bar Exam and was fortunate to have passed both of those on my first attempt.

That was a good law firm that you got started out with.

Yes. And I had some great mentors there, one of which was Larry Hicks, who’s now a federal judge, and John Frankovich, who’s a very prominent attorney in the state. Those are the two that I spent most of my time with. I did a lot of work for Spike Wilson. They were great role models in terms of how an attorney conducts himself, and they conducted themselves with honor, with integrity, treating everybody the same. I really learned a lot of good lessons from them.

Shortly after you went to work for that law firm, did you run for legislature?

Well, it wasn’t shortly. I began work at the McDonald firm in 1989 and spent approximately three years there, and then I moved to another law firm, the Robison, Belaustegui, Robb & Sharp firm. And the reason for my change was that that firm was representing the City of Sparks in a very large environmental case involving the Sparks tank farm, and I had been recruited by the Robison firm to play a prominent role in the prosecution of that case. So it was a great opportunity to get at the forefront of probably one of the most important environmental cases in the history of northern Nevada. I worked with that firm for several years, and in 1993, one year later, toward the end of the year made the decision to be a candidate for assembly.

What motivated you to become a legislator?

It was part of what I had mentioned before. I had a great admiration for Abraham Lincoln and had always had a strong interest in public service and statesmanship and making things better. When I was in grade school, I was a class president. When I was in high school, I was the student body president. At the university I was the student legal director, and when I was in law school, I participated in student government. And then even before I had chosen to run for the legislature, I’d been very active civically. I served on the Board of Adjustment for the City of Reno. I was on another entity called the Citizens’ Policy, Planning, and Advisory Commission. I belonged to the Kiwanis Club. And so it was important for me to be civically active and to give back to the community, and I had always been interested in elected public service.

Jim Gibbons had made a decision to run for governor at the time, and my wife and I resided in the legislative district where he was vacating to run for governor. So I sat down with her and we talked it over and made a decision to run for office. It was much sooner than I had anticipated getting involved in a campaign. I believe I was twenty-nine at the time, and I had thought later on, perhaps, when I was in my

forties or so there would be an opportunity. But this was a unique opportunity to get involved, and nobody really knew who I was. I decided that I would announce my candidacy for the legislature and I worked very hard. I knocked on ten thousand doors. We walked the entire district twice, and in the primary I received 75 percent of the vote, and in the general election received 80 percent of the vote.

That's quite impressive.

Well, it was just fortunate, looking back, that I still have the pair of shoes that I wore.

[laughter]

They're worn smooth. But I would spend seven days a week. I'd get out of the law office and I'd immediately go to the precinct and knock on the doors and introduce myself to the voters and ask about the issues that were important to them and, apparently, it made a very positive impression. And this was something that I wanted very badly and I was willing to do what it took in terms of campaigning aggressively and meeting people to get elected, and was fortunate to get a good result.

Meeting someone face-to-face does make a definite difference, I feel.

It does. It does. And it's different than seeing a piece of paper with somebody's picture on it. They can look at you, they can ask you questions, they can evaluate how you present yourself.

Yes. So how long a term is the assembly?

It's two years. I served two terms in the legislature. In my first term I served on the judiciary committee and also acted as the vice-chairman of that committee. That was the year that there was a historical 21-21 tie in the legislature. I also served on the taxation committee, the labor and management committee, and the natural resources agriculture and mining committee. And that was an important committee for me because—and I mentioned this previously—we grew up in a rural area in Sparks, and we raised sheep and made a lot of connections with people throughout the state with regard to that. So that carried forward to the legislature. I believe in my first term I sponsored five bills. Four of them were signed into law.

And then I was re-elected without opposition to a second term and was also appointed to several interim committees. I served on the state sentencing commission, the juvenile justice commission. There was a community advisory committee with regard to the release of sex offenders that set up the guidelines when someone who is a sex offender was released: what kind of notice schools would get, parents would get, Boy Scouts would get, all the various civic groups. And I also served on the Tahoe Regional Planning Agency oversight committee, because Lake Tahoe was something that was very important to me. And then in my second term I served on the same committees, with the exception of the labor and management committee. I believe in that session ten of the eleven bills that I sponsored were signed into law, and most of them had to do with law enforcement and public safety and strengthening the driving-under-the-influence laws.

We passed a law that essentially prohibited a convicted felon from suing his victim. It had been brought to my attention that someone had broken into an individual's house and was injured while they

were doing that and turned around and sued the homeowner, which to me is incredulous, and so that was a piece of legislation that was passed.

I was very proud of a tax measure that I had that was approved that eliminated sales tax for casts and splints. That was something that was very beneficial to senior citizens.

There was another provision that eliminated the property tax upon homeowners associations if they allowed their parks to be used by the general public. That A: saved taxes and B: encouraged these homeowners associations and these subdivisions to open up their facilities to the general public.

You did some good work in just two terms. [laughter]

[laughter] You know, I was very motivated to make a difference, and I just thought that there's a difference between being a legislator and doing the work of a legislator. It certainly was not enough for me just to be there. It was important for me to make a difference. It is still my priority for parents to have their children play in the front yard and not have to worry about that, to have their children walk to school and have it be a safer place. So if there was anything that I could do to increase the quality of life for the people in northern Nevada and throughout the state of Nevada, I was going to do that. Looking back, I did get a lot done, and I'm very proud of that now.

Yes, especially being a newly-elected legislator.

Yes.

A lot of those people have to be in office a long time, it seems like, before they accomplish much.

Well, in fact, they told me my first term, "You'd be lucky if you got one bill passed."

[laughter] Yes.

And then similarly, "With your sophomore session, if you get one or two you'd be very lucky." I was very aggressive when I sponsored a bill. I'd meet with all the members of the committee where the bill was going to be heard to see how they felt about it so that when I came to a hearing there were no surprises and I was able to address some of the concerns before I got there. And then if I got it through the committee, then I'd chat with every member of each house about the bill to ensure that I had the votes in hand. It's just one of those political lessons that someone needs to know early on in the Nevada legislature, at least in the assembly: you need to know how to count to twenty-two, and in the Nevada senate you need to know how to count to eleven. So I worked those very hard, and was very fortunate to get a lot of strong support for my legislation.

You prepared yourself, to put it mildly. [laughter]

Yes. I research my bills. These weren't just issues that just popped in my head. These were issues that my constituents had approached me with. These are issues that I had researched myself and felt important. Another bill that I was quite proud of that I probably had to work the most on was an environmental bill that allowed those who had perhaps contaminated the soil to turn themselves in, and by

doing so, A: it would encourage clean-up, and B: they would not be subjected to penalties. They could use the money that would have gone to the penalties for the cost of the clean-up. After I had passed that legislation, there were several entities that took advantage of that, which led to the clean-up of several properties that were contaminated that, in turn, had contaminated the ground water, which were cleaned up because of this bill. And so it always makes you feel good about the things that you passed if you look back and see that the legislation has been used for the purpose that it was intended.

When were you appointed to the Gaming Commission?

I was appointed to the Gaming Commission in 1998.

Who did you replace?

I replaced a woman by the name of Debby Griffin. She was an accountant who sat on the Gaming Commission, and she had served two terms. This was something that I did not seek. I was aware of the Gaming Commission through my experience on the judiciary committee, but I had never practiced gaming law in my law practice. It was one of those unique stories where it was a Monday night, late at night, and I received a phone call from a representative of the governor's office—Governor Miller—who said, "Would you be interested in appointment to the Nevada Gaming Commission?" I had already been gearing up for my re-election to my third term, and my first response was "No . . ." [laughter], that I was very satisfied with the legislature and that I was very excited about going into a third term.

And you were still active with the Robison law firm?

No, actually by that time, I had left the Robison law firm to go in a partnership with one other attorney. There were some members of the firm who weren't supportive of my legislative service because it got in the way of billable hours. And I felt the best way for me to satisfy that concern was for me to go into practice with another individual and basically be my own partner so others wouldn't have to worry about how many hours I was billing and such. So I had gone in practice with a gentleman by the name of Theodore Gamboa, a really fine man who was very understanding and supportive of my legislative service.

But, in any event, I got a phone call at ten o'clock . . . [laughter]

[laughter]

. . . in the evening on a Monday evening at the end of March of 1998, and I said that I wasn't interested. The individual on the other end of the call said, "Well, you might want to think about this, because some people wait their entire lives for an opportunity to be appointed to the Nevada Gaming Commission." And so I sat down with my wife, I talked to some close friends, and after looking at all the possibilities, I decided to take my course of public service in a new direction. I saw a unique opportunity to really get involved in Nevada's largest industry, the economic engine that essentially runs the state. And I'd met with different individuals to chat about this. One prominent person was Senator Bill Raggio, and he actually encouraged me not to take the appointment because it would probably lead to the end of my political career.

After having thought everything through—and at the time I had two young children—I decided it would be best for me to accept this appointment. So the next day, because I had to make this decision within twenty-four hours, I resigned from the state legislature. I submitted my resignation to the governor and accepted the appointment to the Nevada Gaming Commission and had my first hearing the next day.
[laughter]

[laughter]

So it was quite a trial by fire.

Had you known Governor Miller before? Naturally, you knew him through the legislature to a degree.

Yes.

Had you had any personal contact with him?

No. And this appointment was a complete surprise. I had worked with Governor Miller on the truth-in-sentencing effort in the state legislature and on the judiciary committee. So we had worked together on a professional basis, but from a social basis, we had never had any casual conversation. I was just as surprised as anybody, because a Democratic governor was seeking to or had asked if a Republican legislator would be interested in this appointment. So I was *extremely* honored that he would consider me.

Across party lines, if you want to call it that.

Yes. And I had a great amount of respect for him, and that played a big role in my decision as well. If the governor was willing to reach out his hand to offer this to me, I felt that it was quite a compliment, and it was something that I felt that out of respect for him I should accept.

How long did you serve as a commission member before being named chairman?

One year. I was appointed in April. Governor Guinn was elected that November, and then subsequently, the term of Bill Curran, who had been the chairman, was up. Governor Guinn graciously asked if I'd be interested in becoming the chairman of the Gaming Commission, and I was very honored to accept that appointment.

Had you known Governor Guinn prior to your appointment?

No. I had met Governor Guinn. We did not know each other socially and he was another individual for whom I had a tremendous amount of respect, for the issues that he considered important and for the way he conducted himself. Everybody knew that there was going to be a new chairman, and there were a lot of individuals who had been mentioned as potential candidates for that position. I was fortunate enough to get the offer.

How old were you when you were appointed chairman?

I was thirty-five, and according to some—I didn't know it at the time—[laughter] that made me the youngest chairman of the Gaming Commission in the history of the state.

That's quite an achievement also. [laughter]

[laughter] Well, as I said, I was just as surprised as anybody. I had spent my first year really working hard to read all the regulations and read the law and understand very well how the gaming industry works. And then I had had experience at the legislature in how to run a meeting, chair a meeting because that's an art in and of itself. When I think back, that hard work pays off.

Yes, it does.

And I felt like even though I was young of age that I had a lot of experience that I brought to the table and that it was an appointment based on the merits, because I hadn't had any previous relationship with Governor Guinn.

You were also chairman of the gaming policy review board. Would you tell us the make-up of that board and its duties and responsibilities?

Yes. The gaming policy review board was a product of a piece of legislation, Senate Bill 208, which sought to limit the expansion of neighborhood casinos in Clark County. And what the law provided was that if a property had been approved for a gaming establishment, and that approval had come from a local elected entity—for example, the Clark County Commission, or a city council—for example, the North Las Vegas City Council—the residents would have the ability to appeal that decision to the Gaming Policy Review Panel. And then the Gaming Policy Review Panel was empowered to review the decision of the local government entity, and either to adopt its decision or reverse it. So as chairman of the Gaming Commission, I was a member of that board. The members of that board asked if I would serve as the chairman. The other members consisted of a member of the Gaming Control Board, two citizens of Clark County, and a member of a tribe.

We heard two cases while I chaired that committee. One was an establishment in Spring Valley in Las Vegas that had been approved by the Clark County Commission, and ultimately, our panel decided to reverse the decision of the Clark County Commission, which created a lot of controversy in and of itself. But based on the presentations, we didn't feel, and I didn't feel personally, that the proposal for that establishment met the requirements of Senate Bill 208, which had subsequently become state law. After that there was another challenge in North Las Vegas, where the North Las Vegas City Council had approved a gaming establishment for a location there, and the residents there appealed to the Gaming Policy Review Panel, and we conducted ourselves exactly the way we did in the first case. Based on my findings, the property in North Las Vegas was actually an inferior proposal to the one that we had already rejected. That vote was a three-to-two vote to reverse the North Las Vegas City Council's decision. The vote in the first case was a unanimous decision, five-to-zero.

Both of those cases created a tremendous amount of controversy, because there was some frustration on the part of the local governments that it wasn't appropriate for an elected panel to be reversing a decision of an elected body. But as I expressed to them, I understood their frustration, but we

were charged with the duty under state law, and if they felt that there was a constitutional issue, then they should take that up with the district court in the Nevada Supreme Court. I was not going to disregard my duties as imposed by the state legislature.

Is the gaming policy review board still active?

It has not met since I sat on the policy review board, and there could be several explanations for that. One explanation is that the panel essentially made it very clear that they were going to strictly construe the law, and that therefore, there probably weren't many applications that could meet the requirements as set forth by the precedent that we made in our decisions with regard to those two proposed establishments. But since that time, no gaming company has sought to locate a new establishment outside of a gaming enterprise zone. And I think one of the reasons for that is the precedent that was set by the board at the time I sat on it.

Are you theoretically still on the board?

I am not. The seats on that board are set by statute: two members of the public, a member of the Gaming Control Board, a member of the Gaming Commission, and a member of an Indian tribe.

But there still is a board?

Yes. It could be constituted. What would happen is if there was another appeal by the citizens, then the governor would have to appoint the two public members. The governor would send out a letter of interest to the tribes, and the tribes would designate a representative. And then amongst the Gaming Commission members and the Gaming Control Board members, they would need to select who they would like to represent their respective entities.

As we headed into the twentieth-first century, the focus of gaming regulators began to shift to social issues. As you were chairman during these changing times, would you discuss some of these social issues and tell us what actions were taken by the Commission during your tenure? Do you want to begin with the neighborhood casinos? You can tell us about the regulations or statutes that have been put in place to prevent encroachment of casinos in residential areas.

Yes. I believe that had a lot to do with what we just discussed with regard to the Gaming Policy Review Panel. The legislature had anticipated the great expansion of neighborhood casinos, particularly in southern Nevada, because this legislation was limited to southern Nevada. From my perspective, I looked at that law through the Gaming Policy Review Panel, not through the Gaming Commission. But there has been no expansion of neighborhood casinos outside of districts that had already been approved for that purpose as a result of the decisions of the Gaming Policy Review Panel.

From the Gaming Commission perspective, I don't think we did anything specific with regard to neighborhood casinos with the exception of ensuring that there were areas within the casino where minors would not be confronted with having to go through a gauntlet of slot machines. I know that when we reviewed several of the properties, if they had movie theaters, we wanted to ensure that there was ingress and egress to the movie theaters or the bowling alleys so that a minor would not have to go through a slot

area or a gaming area. We were very, very strict about that.

Would you care to discuss a little bit more about any of the issues you faced there regarding children and minors being allowed around gaming areas?

Yes. Another point I wanted to make is that we—"we" being the Gaming Commission—were very aggressive in terms of the licensees that violated the rules associated with minors being near the games. To give two specific examples, there had been some instances with one property where there were repeated examples of minors who were allowed to play, and so we fined that property a substantial amount. There was another instance where one of the large licensees in southern Nevada had opened an attraction, and on its first day, many, many children, or minors, came to the property and had lined up through the casino. And the line was allowed to wind its way through several of the slot machines and the games.

This property had been warned about that, and despite the warning, had allowed this to occur. So the fine in that instance was, I believe, a half million dollars as well as a submission of a plan to address that issue in the future. I was very proud of the Commission for the stand that it took while I was the chairman in terms of ensuring that minors were separated from gaming and that there would be a zero tolerance policy with regard to minors being in the casinos.

I guess it's been a problem for many years, actually. You look back to a few years ago when dinner shows were prevalent and children were going to the dinner shows, and they'd be lined up going to the shows. I can remember security people would have to keep working all the time to keep them away from there.

Right. And we also know there's a reality that with the restaurants and some of the features within the establishments, that minors are going to be on the property. But the message that we wanted to send is that if you are going to have those types of attractions, you must have ingress and egress that will allow for the separation of the minors from the games. And I don't want to stop this on a negative note. I felt that the industry was very receptive and took our recommendations very seriously. As I walk through the establishments now, I see that they've made that effort.

How about child-themed slot machines? Weren't you active in that area?

Yes. That was another issue that presented itself for the first time while I was the chairman of the Commission. The slot manufacturers were getting very creative in terms of the licenses they were obtaining for the slots. And a concern grew, not only in the state, but nationally. Senator John McCain from Arizona became interested in it and called them "slots for tots," because there had been some machines proposed in other states that used cartoon themes and themes that were attractive to children.

As chairman of the Commission, I worked with the chairman of the Gaming Control Board, and we felt that we needed to get out in front of this issue and adopt regulations in Nevada so that Nevada would be the leader. As a side note, I feel it is very important that Nevada be the global leader in terms of gaming regulation, that we get out ahead of this so-called "slot for tots" issue. And so we spent several weeks conducting hearings with the gaming industry, with the slot manufacturers, and with the public, obviously, to come up with a set of regulations that would in the first instance, protect children, so that you would not have slot machines that are attractive to children, but at the same time, preserve the

creativity of the gaming industry and the gaming manufacturers so that they could manufacture games that were nostalgic that would keep Nevada at the forefront of gaming.

And I felt we achieved this balance. Ultimately, we adopted a series of tests and regulations that contained tests that prohibited any type of theme that would be attractive to children or a theme that could not be less than twenty-one years old. So in other words, if there was an old show that was at least twenty-one years of age, that would allow it to leap one hurdle. The next hurdle was you have to go out and conduct surveys to see if it's still attractive to children. To give a specific example, Mickey Mouse—obviously, that idea is older than twenty-one years, but it is still attractive to children, so that is a theme that would not pass muster.

So Lucille Ball would be OK.

Yes! And there is a Lucille Ball machine. That show or that theme was more than twenty-one years of age. They have to hire experts to go out and ask children if they know who Lucille Ball was.

[laughter]

There was a theme, and I can't recall it right now, but they had done this testing, and out of five hundred children, less than ten had heard of it. And those were the indicators that we were looking for, that contemporary kids would not know or be familiar with something, and therefore, they would not be attracted to it if it was a slot machine. It was a *very* interesting intellectual exercise. Obviously, things like Spiderman and comic book characters and things that are currently on television would not be eligible to be put on a slot machine. There were themes that were adopted in other states that would not be allowed in Nevada. One was South Park. A lot of people aren't familiar with South Park. It's a very irreverent—offensive, in my opinion—cartoon that was actually very appealing to eighteen-year olds. And in the state of Mississippi they allowed for those slot machines, whereas in Nevada we said, "Don't even bother trying because we won't approve that."

But that's where more of the concern came, not just for the small kids but minors who were perhaps between the ages of eighteen and twenty-one who might be attracted to something, because they're the ones who are closest to the age of majority.

Yes. And games like "Jeopardy" or "Wheel of Fortune," were they under the same type of scrutiny, or they're not characters per se?

Well, they were in a special category, because "Wheel of Fortune" and "Jeopardy" and "Monopoly" were approved before the adoption of this regulation.

And not to get too technical, but previously, before the adoption of this new regulation, the Gaming Control Board had exclusive jurisdiction to accept or reject a theme. The Gaming Commission never had the opportunity to review it until these new adoptions were approved. The only time that the Gaming Commission would have the opportunity to review a theme prior to the adoption of the new regulation was if one were to be rejected by the Gaming Control Board. That would allow the applicant to appeal to the Gaming Commission.

That may be a little more detail than you were seeking, but thereafter I felt that it was important to adopt that new regulation because now you have the input of the Gaming Commission and the Gaming

Control Board. The Gaming Control Board would review it first and make a recommendation to the Commission. The Commission, as with all the other issues that come before it, could accept or reject the recommendation of the Gaming Control Board.

What has the gaming industry and the industry's regulators done about problem gamblers, and what are they currently doing?

That issue, problem gaming, was very prominent while I was on the Gaming Commission, and while we were there we adopted new regulations that required anybody with slot machines or gaming to be progressive in the training of their employees, to recognize someone who might have a gaming problem, and if they do, to approach that player and, A: advise them that they could exclude themselves from that property, and, B: give them information with regard to the treatment of problem gambling. We also required that all the establishments carry literature with regard to problem gaming, so if you walk through a casino now you'll see pamphlets that reside on the machines where individuals can call a 1-800 number. I'd like to see the industry go a little bit further. In fact, the industry has itself proposed legislation, or did propose legislation in the 2003 session of the legislature that sought to tax themselves and provide funding for counselors to treat individuals, and for some reason that legislation was not adopted.

Did it die or was it voted against?

I believe that it died. It was heard in a committee and never got out of a committee. My understanding is that there will be another effort in the 2005 session of the legislature, by the industry, to seek a program by which individuals who have a problem can seek treatment. But we have some very sophisticated individuals in the state. In fact, if you're going to treat problem gaming, you have to go to a board now and get a license to do so, which I think is better for the public safety and health and interest, so that if you do have a problem and you go to a counselor, that person has been certified by the state. So the state has done many things. I think it can do more.

So the state had put out what you might call minimum requirements that all casinos must reach. Are some casinos going above and beyond that as far as doing more advertising or more notification to the public as far as television ads or things of that nature?

Yes, one stands out. Harrah's has taken a very, very progressive approach and a leadership position within the industry. It's going the so-called "extra mile" in terms of promoting this and funding it. And I know that this was an important issue to Phil Satre, who is the former chairman of the board. So their company jumps out at me, and they in fact, I think, were trying to lead the effort within the legislature.

For many years betting on games that Nevada college teams or university teams were participating in was prohibited. Would you tell us when and why that ban was ended and your role in that decision?

Well, Nevada is the only state in the union that allows for legalized sports betting. And we are very proud of the fact that we strictly regulate all gaming, but within gaming, sports betting is the most

strictly regulated portion of that. In approximately 1998 or 1999, Senator John McCain introduced legislation that would prohibit legalized sports betting in the state of Nevada on college sports. The impetus for that was that there had been several scandals throughout the country with regard to sports betting and cheating and fixing games. What was not mentioned is that none of those scandals originated in the state of Nevada.

Also, it was important to know, the support that Senator McCain brought for that legislation was that if he were able to eliminate legalized sports betting in the state of Nevada on college sports, that it would eliminate *illegal* sports betting in the other forty-nine states. We in Nevada got a good laugh out of that. When you started to really look at the issue, the heresy involved in that legislation became very apparent. One of the astounding statistics was that approximately three billion dollars was wagered illegally on college sports, whereas in the state of Nevada less than one percent of that figure was wagered on college sports.

Another issue that Senator McCain raised was that if you eliminated legal sports betting on college sports in the state of Nevada, that newspapers across the country would stop printing the line on those games. During the hearing the state of Nevada presented a letter from one of the national newspaper entities that represented all the newspapers, and those newspapers said regardless of what happens in the state of Nevada, they would continue to publish those lines because the readers like it, and for recreational purposes, not for betting purposes. If somebody's team is a big underdog, they like to know how big of an underdog they are.

So as a result of that I testified before Senator McCain at the U.S. Congress. I also testified before the House of Representatives, the Judiciary Committee. We did not receive a very positive reception as the Nevada contingent. In fact, it was loaded the other way where you had all the celebrity coaches and the head of the NCAA that testified in front of us.

Ultimately, the legislation was not approved, and I think that was a good thing, because all it would have done if it were approved would have been to encourage illegal sports betting throughout the country, and also, I think it would have strengthened the sportsbooks in Mexico and the Caribbean and on the internet. It would have pushed them there. It also would have created an incredible black market for sports betting in the state of Nevada. As I said before, I am very proud of the fact that there had never been a scandal that emanated from our state, and that was because of the way that we strictly regulated, and, in fact, I thought we set a template for something that should be considered throughout the country.

Was it brought up during that time that Nevada did not allow betting on the Nevada teams?

Yes!

And why was that in effect?

That was a question that we anticipated in terms of detail. Historically, there was a gaming regulation that prohibited legal sports betting on the universities in the state of Nevada *or* if another university sports team came to the state of Nevada to play. I personally did some research as to what the origin of that was, and it was a very simple explanation. And that was that when the regulation was adopted, which was, I believe, in the late 1960s, the University of Nevada, Las Vegas, UNLV, was in its infancy. The University of Nevada, Reno, UNR, did not have a really successful sports program, and the population of the state was very small, three or four hundred thousand at the time. And there was a

concern on the part of the regulators that if they allowed legal sports betting on Nevada teams, that those who resided outside of the state would feel that Nevada residents would have an advantage because they were so close to the schools and the population was so small. The example I used was that when a large corporation has a sweepstakes, it typically prohibits employees from being eligible to participate in that sweepstakes, because if the employee won, they would say that there was a fix, or inside information.

Similarly, in the state of Nevada, if Nevada residents were able to bet on the Nevada games, because of the proximity of the residents to the athletes, and the small size of the universities, then they would have access to what was deemed “inside information.” With, I guess, the development of strict regulation in the state of Nevada, that was no longer a concern. And, in fact, what concerned me the most was that now, although you could not bet legally in the state of Nevada on a Nevada team, you could bet *illegally* on a Nevada game, either on the internet or in Mexico or the Caribbean.

Therefore, if somebody actually wanted to fix a game, they would go to a Nevada athlete, because there was no regulatory authority that oversaw the Nevada games. I wanted to protect our athletes from that, so we dropped the rule that prohibited legal sports betting on the Nevada teams in the state of Nevada, which brought those games within the Nevada regulatory system. And that is something that has been very well received. The action on those games is actually less than other more prominent teams in college basketball, the Kansases and the Dukes, and in college football, the Ohio States and the USCs. The Nevada games get very little action. There is some, but now those athletes have the protections of the Nevada regulatory authorities when they did not have that previously.

When you were tightening the regulations, did the NCAA cooperate with you in any way? Did you have meetings that they attended?

No. That was one of my greatest disappointments about that entire issue, that the NCAA was making naked allegations regarding the state of Nevada. I personally wrote a letter to the president of the NCAA saying, “If you are aware or have specific information with regard to sports betting practices in Nevada on college sports, bring them to our attention. Please come to our meeting. You are hereby invited to the next meeting of the Nevada Gaming Commission, wherein you can present the evidence that you possess that shows that legal sports betting in the state of Nevada has a negative effect on the rest of the country and college sports.” Despite these invitations, the NCAA did not show up once to any of our meetings. They tried to wage a war in the press versus ever coming up with any specific examples, and at the end of the day my analysis was they did not have any evidence, because if they did, they certainly would have come here to present it. I think that that is another reason why this legislation was never adopted, because there’s absolutely nothing to it.

Do you think that the issue is dead, it’s settled, or would it come up again?

It will never be settled. I don’t like to use the word “never” often. My understanding is Tom Osbourne, who was the former coach of the University of Nebraska, has legislation that seeks to accomplish the same thing that the McCain legislation did. Senator McCain has said often that he intends to attempt to attach his bill to another bill, because he realizes as a stand-alone bill he will not get the support of the membership, but that he will seek to attach it to a bill. Our congressional delegation has been and will continue to be very vigilant in terms of watching this, and I’m confident that this issue will come up again. Certainly if I have an opportunity, I would like to go back and testify with regard to the

demerits of that legislation.

Well, in the state of Nevada, we're getting solid support from both Democratic and Republican parties as far as the legislators, is that right?

Yes! Our own delegation has been fabulous in terms of working together to defeat the legislation and working both sides of the house. Senator Reid and Senator Ensign in the U.S. Senate, Congressman Porter, Congressman Gibbons, and Congresswoman Berkeley have all been very aggressive, particularly Congresswoman Berkeley, in this regard. And in fact, my understanding is that there were some within the House of Representatives leadership that proposed contrary legislation, and that didn't receive a hearing as well. But they have been very effective in preventing the approval of that bill.

Is there any way you could estimate the loss of revenue to the state of Nevada if sports betting were prohibited?

If all sports betting were prohibited it would be tens of millions of dollars. In southern Nevada Super Bowl weekend and the NCAA tournament are two of the biggest weekends. Super Bowl weekend is *the* biggest weekend for Las Vegas, and for the rest of the state, for that matter. So not only do you have to look at it from a gaming revenue standpoint, you have to look at it from a restaurant standpoint, you have to look at it from a room standpoint, from a sales tax standpoint, because when those tourists are here they buy things, and that translates into *jobs*. And if you were to remove all that input, you would have people in our state that would be laid off. I vaguely recall one of the conservative estimates that ten thousand people would lose their jobs if even the college sports portion of this was eliminated. So it would have an *incredibly* detrimental effect on our state.

What a lot of people don't realize either, is that there's residual betting. People come not to just bet on the Super Bowl. If they win some money, they'll play twenty-one or craps after the game is over.

I think this issue really came to the forefront during this past Super Bowl. Only fifty thousand people get to go to the Super Bowl, so people like to come to a place where they can have fun and watch the game with a larger group and have the ability to participate in other forms of entertainment in terms of gambling, and the restaurants and shows. And the NFL, less than a week before the Super Bowl, wrote a letter to the properties saying that you could not show the Super Bowl on anything larger than a fifty-inch screen, which I felt was incredibly penal and unfounded and retaliatory. Many people liked to come to Las Vegas, and all it did was require the properties to be creative in terms of going out and renting more screens. The people are still going to come. They want to come here, and I think it encourages interest in the game, which is to the benefit of the NFL.

Well, didn't the network not allow any advertising from Las Vegas, too?

I believe the NFL has input as to what commercials are aired during the Super Bowl, and so the networks, via the NFL, did not allow for *any* commercials with regard to Las Vegas during the Super Bowl. However, there were some other cable networks that had Las Vegas commercials that were not showing the Super Bowl, and so the NFL has declared its intent to prohibit that as well.

Again, I just see unfortunately, a retaliatory and penal approach on behalf on the NFL when I think that the state and the NFL could work very well together on it. And then if you saw some of the commercials that they did air, they were much more offensive than anything that Las Vegas would have advertised.

Internet gaming has become a situation that needs, and will continue to need, significant attention. What has the state of Nevada done in the past, and what's it currently doing, to monitor internet gambling?

Internet gaming was an issue, or was the last issue that I was focused on during my chairmanship on the Commission. I always viewed, and still view, the state of Nevada as taking a leadership role with regard to any issue associated with gaming. At the time—I believe it would have been 2000, 2001—internet gaming was becoming more and more prominent throughout the globe. I believe it's an eight to ten-billion-dollar industry right now in that there was a big push to legalize internet gaming and begin to regulate it, because it was currently unregulated and there were a lot of individuals that were playing on the internet and had no idea whether the game was fair. And if they did win, they didn't get paid. So there was a strong push for the state of Nevada to study whether internet gaming can be properly regulated.

The 2001 legislature passed legislation that gave the Nevada Gaming Commission and the Gaming Control Board the ability to study internet gaming to determine whether it can be properly regulated. Prior to my departure from the Gaming Commission, I had initiated those hearings to determine whether you can determine whether the person who's betting is over the age of twenty-one, that they reside in a jurisdiction where gaming would be legal, to ensure that the games are fair, and to ensure that people get paid. I began that, and ultimately, it was determined that the technology did not exist to assure, or "to reasonably assure," as the statutory language provided, that the person who was playing was twenty-one, et cetera. My understanding is that right now we are in a holding pattern in the state of Nevada, and until the technology catches up to ensure that all those issues have been adequately answered to the satisfaction of the gaming regulators, internet gaming will not be legalized in the state of Nevada. However, it has not stopped its growth globally, and the conservative estimate is that it will grow to be a ten to twenty-billion-dollar industry. The issue for us economically is that this is money that perhaps will go to the internet versus the state of Nevada. And so I'm sure that our regulators are constantly monitoring the developments in that regard, but as of right now, I don't see it becoming legal in our state in the very near future.

Were there ever or are there now any Nevada properties that are actively pursuing the idea of online gaming?

There were a couple of Nevada licensees that were engaged tangentially with internet gaming. There was one that operated a *legal* sports betting site in Australia, and where it became an issue was that one of our agents of the Gaming Control Board was able to place a bet from Nevada on this Australian website, which subjected that Nevada licensee to discipline and ultimately to their exiting the business in Australia. The MGM Mirage invested in a legal internet gaming site that was licensed by the Isle of Man, which is an island off of Ireland, but it's my understanding that they have since sold or removed themselves from that venture because they could not guarantee that somebody from the United States would be unable to place a bet. And to their credit, they explored it. They determined that the technology was not there to ensure that individuals did not reside in places like the United States where internet

gaming is illegal, and that it wasn't a worthwhile venture.

The last thought I'd like to state is the Justice Department and the United States Attorney General has inserted himself in this issue and has issued a letter to the State of Nevada that it is the position of the Department of Justice that internet gaming is illegal and that any person who places a bet or receives a bet is subject to prosecution. The Gaming Commission and the Gaming Control Board were concerned that we didn't want to subject any of our licensees to potential prosecution by the federal authorities, so that was another reason that we had determined that it wasn't appropriate to move forward.

Did he send the same letter to other states that had gaming in them?

He did send the letter to New Jersey. Nevada and New Jersey were the only two states that were exploring whether internet gaming could be properly regulated. I think the statement that the Department of Justice was making is that even if you find that internet gaming can be properly regulated, that you could not pass state legislation that would make it legal because there is not *federal* legislation that legalizes it. So that pretty much ended the inquiry anyway, because it would be a moot point until the U.S. Congress were to adopt legislation that would allow states to move forward.

And that might never happen either.

It might not ever happen, and that did create some interesting legal issues in terms of the supremacy clause and states' rights, which we never got to, because we just didn't feel that it was necessary. But in terms of a legal exercise, it would be interesting to determine whether the Department of Justice or the Federal Wire Act specifically in this instance would have primacy over a state's ability to engage in internet gaming.

And that ruling, I guess, could be changed if a different administration came into action?

Well, yes. A new attorney general could interpret the Wire Act differently and issue a different opinion. But I think, given the history, that an attorney general would wait for the Congress to act. And, in fact, there are several pieces of active legislation within the United States Congress that seek to either prohibit internet gaming, or there's another piece that would allow states to explore it, but neither of them has made it through the process. If one of those were adopted and signed by the president, it would create the bright line that would give the indication to the states which way to go, particularly in Nevada and New Jersey.

Were there any other social issues that came to the forefront during your tenure on the Commission you'd care to talk about? We talked about the minors gaming and the "slots for tots" theme.

Yes, and we talked about neighborhood gaming and problem gaming. We adopted some other regulations with regard to the restricted licensees and adopted some very strict regulations—I should have mentioned this previously—in grocery stores. We now require in the construction of a new grocery store that if they have slots that they be separated and be located in an alcove, and we limited the locations where slot machines or video poker could be located, either to a grocery store, a drugstore, a convenience store, and I can't recall the fourth location.

Was it a laundromat?

No. That was one of the examples that we specifically sought to exclude because children would be in laundromats and could be exposed to this machine without anybody watching. So whereas you previously would see slot machines in car washes, laundromats, and in the entry area of some businesses, you no longer can do that.

Oh, another location where you can is a liquor store, and obviously, you have to be twenty-one to buy liquor, so we felt it was appropriate that they would be allowed to have slots. But we were very aggressive in terms of limiting the locations where you could have slots outside of casinos, and if you're one of those locations, there are very strict requirements within those locations where you can locate the machines, *and* you have to have somebody 24/7 watching the machines to ensure that minors aren't playing them. So I was very proud of that as well.

Was there ever any individual or corporation that applied for licensing that caused you a great deal of concern, someone with perhaps an unsavory background?

Well, I have two answers to that: most of the time, somebody who applies for a gaming license who has a background like that never makes it to the hearing portion because it is made clear to them that they are not going to be approved. And the consequences associated with a rejection by the board and the Commission are very grave for a potential licensee. So often what will happen is if there are concerns, we will advise them what those concerns are and to go back and work on those, and perhaps come back in a couple of years and show us a track record of having improved upon that issue.

There was one individual who, despite the fact that he was encouraged not to go to the hearing phase, did apply anyway and was rejected by the board, and was also unanimously rejected by the Commission because of the way he had conducted himself in his business affairs. We were also very strict with applicants who had even been seen associating with unsavory figures, and they were advised not to socialize with any of those folks, even though these contacts were very informal.

During my tenure we were very strict with regard to the "Black Book," or the Nevada *List of Excluded Persons*, which are those persons who because of their backgrounds, their associations with organized crime, are not allowed to even step foot in a Nevada gaming establishment. We were very strong on that. I guess I'm being a little evasive in terms. I'm hesitant to mention anybody specifically with regard to who we disapproved or encouraged not to apply. But I'd end this on a positive note in terms of this issue, in that I was very proud as a Gaming Commission chairman and on behalf of all the regulators of how vigilant we were to ensure that *anybody* that had *any* type of association with organized crime would not be able to get a gaming license in the state of Nevada. I think that the people of our state can be very confident that the industry is well run, is independent of any of these unsavory influences, and that's because of how strict we are with regard to those who get a gaming license. It's very difficult to get through that door.

Did the idea of creating salons in casinos to provide privacy for high rollers come before the Commission during your tenure?

Yes, that was another piece of legislation that was introduced by the gaming industry to solve

what they perceived as an issue. There were some very, very large bettors—in the gaming parlance, “whales”—who bet a minimum of a million dollars during their visits and either wanted privacy because they didn’t want people to know how much they were betting, or had security concerns that they could be kidnapped or harmed because people would be able to see how much they were betting. Just to back up, the Nevada law provides that all gaming shall be public, and that any member of the public can have access. So legislation was introduced and adopted that would allow for private gaming salons. Under certain circumstances, an individual who would bet a certain amount of money and have a certain line of credit could apply for or could ask to gamble within one of these private gaming salons and not be viewed by the public. But it would still be subject to twenty-four-hour surveillance by the gaming authorities, and, in fact, when it would happen, one of the gaming agents would be in attendance to ensure that the game is fair.

Ultimately, that regulation was adopted after my departure from the Gaming Commission and there are at least two properties, I believe, Caesar’s or Park Place Entertainment and the MGM, that have these private gaming salons. My understanding is that they are not being used that often, but they are available. The big issue for me was that the gaming be open and public, or open and subject to strict regulation and that Nevada not lose opportunities to other states that had similar regulations that were working well. We were losing a lot of these large bettors to other states and other countries and so it still preserved the integrity of the gaming industry, while at the same time ensuring that we keep those large bettors to keep our industry healthy.

In the past, as well as today, concerns have been expressed that certain individuals or corporations could create a monopoly in the gaming industry. Under your leadership did gaming regulators create, update, or strengthen regulations that would more specifically address the possible impact of casino consolidations?

We had hearings that studied that—monopolies or anti-trust issues. Essentially, the legal conclusion that we came to while I was on the Commission is that it would be practically impossible to have a monopoly because there is legal betting in forty-eight states now on different forms of gaming, and that you have full-scale gaming, I believe, in excess of twenty states, and that number is increasing. You also have competition from the tribal gaming or the tribes in the state of California and in other states throughout the country. So whereas in the early 1970s when Nevada was the only state that had gaming, you would have concerns that one company would own all the properties. Now, although there has been consolidation, that consolidation has been a positive, because consolidation has allowed for the improvement of our properties to compete in a global and a national environment. So I was never concerned about that.

There was also, I guess, a peripheral concern in terms of market power, that if you had too much consolidation that it could put certain businesses out of operation, so that if you sold bread to the casinos and one property was bought out, then they bought bread from your competitor, and you wouldn’t have a fair shot. But, again, based on all the studies, it is still a very competitive environment in that regard. My understanding is that the Board and the Commission continue to look at that issue. In fact, there were some thresholds that were studied to determine whether one company was getting too much market power. But I’m not aware of any companies whose application to open a property was rejected because it would give them too much power in an area.

The issue came up at Lake Tahoe when Harrah’s bought Harvey’s, in that it had approximately

60 percent of the gaming revenue at Lake Tahoe, and perhaps more. But, again, when you overlay that with the competition from the tribes in California, as well as the competition from the other states, the alternative was for some of these smaller properties to close, and I didn't think it would be good for the state of Nevada to have boarded-up properties at Lake Tahoe. The issue came up in Las Vegas with some of these neighborhood casinos that were buying distressed properties that they invest in and provide jobs. That was another issue for me, that the alternative was to have a boarded-up casino and have all these people of the state, our citizens, put out of work.

So in the end, my conclusion was that it was good for the state for some of these stronger properties to be able to buy the distressed properties. And although they would gain a greater market share in that area, in the end it would be better for the community and better for the state.

Another example I now recall was Mesquite. In Mesquite there was one gentleman who I believe had 80 percent of the market there, but again, the alternative was to have a large property that was vacant and dilapidated and put people out of jobs. And so in the final analysis, it was a good thing.

Well, historically, it first came up, I guess, in the late 1960s, early 1970s, when Howard Hughes bought so many properties, and that was looked into at that time. So like you say, it's a continual, ongoing situation.

I think it was more valid of an issue back then, again, because Nevada was the only state that had legalized gaming in the country. There was no competition. So at that time if Howard Hughes was allowed to buy them all, he could set the percentages on the machines, he could set the prices on the food and what-have-you, to the detriment of the patrons, whereas now if someone attempts to do that, the patron will go somewhere else, because there are so many different alternatives for people to seek. If I'm somebody that comes to the state and somebody tries to set their room rates too high or set their machines too tight or wants to use four decks or what-have-you on their games, I can go to another place where the machines are looser, the food prices are less, the room rates are less, and all things being equal, they're going to go to the other place. So I think that competition is alive and well in the state of Nevada.

Are there any votes, decisions, or actions that you made while on the Gaming Commission that you would change if you had the opportunity?

I don't think so. Fortunately, in hindsight, I can't think of any of the major issues that I would have approached any differently. I think it just goes back to my approach: before I make a decision, I research things very well and I read all the information, and just thinking back, I can't think of anything I would change. There are a lot of issues that you really struggled over while you were there, but for the big ones that we've talked about—the "slots for tots," the neighborhood casinos, the other issues—I think we did the right thing. And fortunately, I think history has been kind to the decisions that we made while I was on the Gaming Commission and has made our industry stronger and our state stronger.

I've talked to other regulators who have said that they have OK'd properties when they really didn't want to, but there was no reason not to deny them, and oftentimes the property failed to make it due to poor management or lack of financing, or things of that nature. Did you ever find yourself in any spot where you wanted to turn them down, where you felt that it would be in their best interest to turn them down?

Well, you raise an interesting issue, and it may be a concern with how our regulatory system is set up. What happens is you will have some very good individuals that have the financial wherewithal to buy a property, and so they will go through the investigatory process, and they won't have anything negative in their background, and it'll show that they have the financial wherewithal to support a gaming venture. And so they overcome that hurdle, and then the issue comes with regard to their business acumen. Typically these people will be buying a distressed property and they're saying, "Well, we'll make it. We can do it different. I've hired people. Although I've never run a gaming property before, I have the right managers." So by the time it gets to us they've sometimes invested a hundred, two hundred million dollars into this venture. And, yes, I had many concerns about their ability to make it, but at the same time if I were to deny them at that time, they would have wasted millions and millions of dollars. Given that the individual had a solid financial background, albeit not a gaming background, I would give them the benefit of the doubt that they would hire the appropriate management to come in and operate the casino in a successful way.

Unfortunately, there have been a couple of instances where we have approved individuals that operated for a year or two and then didn't make it, and were losing too much money and ultimately either sold or closed the property. So that was very disappointing. But going back, I probably would have done the same thing, because the alternative is to leave that location closed and not have jobs and for it to become even more dilapidated, whereas we decided to give this person who is sophisticated and is taking all the risk, the ability to go forth and try to overcome that risk. I would say the great majority of the times they do make it, but there are some unfortunate instances where either the property will go out of business or the person will sell the property after making a substantial investment for far less than the investment that they had made, and then the person who comes in after that is the one that does well and benefits from some of the mistakes that were made previously.

I think we pretty well covered this with your many accomplishments, but is there any specific action or accomplishment during your time in the Commission that you're most especially proud of?

Probably the aggressive and strong approach that we took with regard to the NCAA. I think despite a lot of national pressure, we stood our ground and withstood a lot of attacks through media, and I was very proud of the Commission when it did that. I was very proud of the Commission, I would say, overall, with the firm approach it took with the industry. And, no, there were no favorites. Everybody was treated the same, and if a licensee made a mistake, the Commission was very hard on them. There are a lot of complaints from the industry associated with that type of an approach, but at the same time, I think for the well-being of the state of Nevada, the people who visit here and the people who live here must have complete confidence in our gaming industry, and they will not have that unless they are strictly regulated. So I felt that the Commission while I was there lived up to that platitude and will continue to set an example for future commissioners to come.

So that was basically your main philosophy, you wanted to keep the industry strong for the citizens and for the future.

Yes. Yes, for the well-being of our state.

How would you describe your relationship with the Nevada Gaming Control Board when you were on the

Commission?

It was excellent. I served with three chairs on the Gaming Control Board. Bill Bible was the chairman when I first came on the Commission, and subsequently Steve DuCharme, and then last was Dennis Neilander. Bill Bible was only on there a short time, and so I didn't have much of a professional relationship with him. Steve DuCharme and I got along really well, and we communicated quite often, which was something that had not happened all the time before that. There is always going to be friction between the board and the Commission, because that's the way our system has been developed: the board makes recommendations and the Commission has the final say. It can accept, reject, or modify, though. So whenever the Commission would take a different approach than that which was recommended by the board, there would be some grumbling, and I think that's healthy.

With Dennis Neilander . . . Dennis is a person that I had known while I was in the legislature, and so we had a longstanding relationship, and it was a very positive one. There were issues where we agreed to disagree. There were some cases that were prosecuted before the Gaming Commission. One had to do with a tax dispute, and the Commission did not agree with the board and rejected its case. That was a huge monetary issue, and it upset some of the board members, but ultimately, I felt that that was the right decision. But at the end of the day, Dennis and I—he says, “I’m still going to be mad at you for that, but we’re still friends.”

[laughter] Yes.

I think that is a good thing for the Board and the Commission to have that open line of communication, but there always has to be that theme that indeed the Commission has the final say with regard to all gaming matters. That is how Grant Sawyer developed the system, and that's how it is to this day. And, as I said, I think that it's important because the Commission brings a different perspective because it is five members of the public who may perhaps view things and give licensees, give people with work permits another chance in terms of a review of their application.

While we were off the tape you used an interesting term for the relationship between the Board and the Commission. Would you repeat that again?

We were discussing the relationship between the Gaming Control Board and the Nevada Gaming Commission and I said that there is a dynamic tension between the two that has existed and will exist forever, which I think strengthens our system of regulation because we have a two-tiered system, where you have a three-member board that oversees a staff of three to four hundred that regulates the industry on a day-to-day basis, that makes recommendations to a five-member commission that are five members of the public that will have different philosophies and different experiences. That creates a tension, but at the same time a balance between the full-time regulators and the part-time commission members.

So I think it's something akin to the U.S. Constitution, where you have this separation and balance that has withstood the test of time. In fact, I think if history is a teacher it has shown that it has allowed Nevada to become the premier gaming regulatory authority in the *world*. When I was on the Commission I used to travel and speak at different gaming conferences, and regulators from other states, when they were asked a tough question, they'd look at me and say, “Well, why don't you just have Brian answer, because we're going to do what Nevada does anyway.”

[laughter]

And so, as I said, I am . . . I keep using this word "proud," but I truly am proud of our system and the people that have participated in it throughout time.

Well, historically over the years there have been a few major confrontations between the Commission and the Board. It has evidently made it stronger.

Yes. There will be cases, there will be discipline cases, there will be tax cases, there will be licensing cases where the board makes its recommendation, and the Commission may modify a recommendation with regard to a gaming application. If the board is seeking to collect a tax, the Commission may reject its argument and say that no, no tax is due, and that is always not a happy day between the Board and the Commission.

The Board may seek to penalize a licensee, and the Commission may reject that or modify it or actually even take a more aggressive approach than the board did. And, again, if you talk to a board member, they might say, "What do they know?"

[laughter]

"Ha ha, what does the Commission know? They're not on this on a day-to-day basis."

Yes.

And [if] you talk to a commission member, a commission member might say, "Well, they're locked in this bubble and they don't have any perspective, and they have this tunnel vision."

Yes.

And so, again, it brings you back full circle to this balance and this dynamic tension, that between the two of them, the Board and the Commission, you come out with a good, fair, balanced result, which results in a very strong, vibrant gaming industry that is the envy, I believe, of the country and the world.

Well, it has certainly been copied in just about every gaming locality.

Yes. And as you talk to other regulators, I think that is with the exception of New Jersey. New Jersey has just a one-tier system, but it has an executive director who does all the investigations and such and makes a recommendation to that five-member board, so it's set up a little differently than ours is. And I guess you could debate all day long which one is better, but certainly I'm supportive of the Nevada plan.

When did you leave the commission?

I left the Nevada Gaming Commission in August of 2001. I had been interested or had become aware that Frankie Sue Del Papa, the then-attorney general, had indicated that she was not going to run

for re-election. The attorney general's position was an office that I had always admired and respected, and so as soon as I made the decision that I would at least consider being a candidate—I hadn't made the decision that I was going to be a candidate for attorney general—I immediately resigned from the Gaming Commission because I did not want anybody to accuse the Commission or accuse me of making any votes or considering anything that might be considered to have been politically motivated. So I resigned from the Commission before I even declared my candidacy so that the integrity of the Gaming Commission and the Nevada gaming regulatory system would not be in question. Approximately two months later, after having talked to my family, I made the decision to be a candidate for attorney general, but it was *very* important to me to step off that commission, because I did not want any decision coming out of there to be criticized that it had been motivated by something other than a decision on the merits.

Who replaced you as chairman on the Commission?

The gentleman who replaced me was Peter Bernhard. He had previously been the chairman of the Nevada Ethics Commission and was a very successful attorney in southern Nevada, very well-respected, and had conducted himself with honor on the ethics commission. So he was the one that took the chairman's slot. It was a little controversial given that a current member of the Commission at the time was not elevated to the chairmanship, but it's very important that the chairman of the Gaming Commission also be a lawyer, because there are so many legal issues that the Commission confronts, and the other four members were not attorneys. And, again, Pete has done a fabulous job and continues the legacy of a strong chairman.

There is no statute or regulation that a member of the Commission must become a chairman then, evidently?

No, there's no elevation that the vice-chairman will become the chair. In fact, there is a vice-chairman, but it is done out of tradition rather than legal requirement, so that if the chairman has a conflict or something, the vice-chairman can step up and run the meeting. But in terms of the chairmanship, that's purely a decision of the governor, and I'm certain the governor considered a lot of different candidates, and ultimately, Chairman Bernhard was selected. I think all the other commissioners recognized that it was important to have an attorney chairing the Commission.

Yes, even more so every year you need an attorney. That's about all I have for today. Is there anything that you would like to say before we close?

Just thank you for the opportunity to share my experiences on the Commission with you. I hope it was very helpful. Indeed it was an honor of a lifetime for me to serve in that capacity. I had the opportunity to confront some historical issues while I was on the Commission, and I am hopeful that for the decisions we made, history will show that they were for good for the state. I'm just thankful that I had the privilege of representing the state in that capacity.

Well, thank you very much for your time.

You're welcome.

FRANK SCHRECK



Frank Schreck was born in 1943 in Henderson, Nevada, where he attended elementary through high school. He graduated from Yale University in 1965 and received a law degree from the Boalt Hall School of Law at the University of California, Berkeley. He then moved to Las Vegas, where he practiced in a firm alongside Norman Hilbrecht and Terry Jones. In 1971, newly-elected Governor Mike O'Callaghan, who had been Schreck's mentor and high school teacher in Henderson, appointed Schreck to the Nevada Gaming Commission. Schreck was only 27 at the time. He served on the Gaming Commission for four-and-a-half years, during a period when the gaming business included very few publicly-traded companies. Schreck stepped down in 1975, taking into his law practice his former colleague Shannon Bybee, who had declined a reappointment to the Board. Over the years, Schreck's firm represented some of the world's largest gaming companies, including Caesars, Mandalay Bay, Harrah's, Stations Casino, and MGM Mirage.

Frank Schreck, 2003. Photo courtesy of Frank Schreck.

Dwayne Kling: Good morning, this is Dwayne Kling. I'm with Frank Schreck in his office in Las Vegas, Nevada. Today is May 14, 2004.

Mr. Schreck, does the Oral History Program of the University of Nevada have your permission to make available to the public the tapes and the transcripts of the oral history interview that we are about

the begin today?

Frank Schreck: Yes, it does.

Let's start out the interview by asking you when and where you were born.

I was born November 13, 1943 in Henderson, Nevada.

What colleges or universities did you attend?

I went all the way through elementary and grade school, high school in Henderson, Nevada. I graduated from Basic High School, and went to Yale University. I graduated from Yale University in 1965 with a bachelor of arts degree. I then attended the Boalt Hall School of Law at the University of California, Berkeley, from 1965 through 1968, and graduated in 1968 with a J.D. degree.

How did you happen to get to Yale University? It seems like a long way from Henderson.

Yes, it was, and it'll probably tie into a lot of things we'll talk about, at least the earlier part of my career. My mentor and a high school teacher of mine was Mike O'Callaghan. And Mike O'Callaghan and my mother both thought it would be a good idea for me to go back East to school, because I had never been east of Utah. I was dead set on going to USC and play basketball, but they prevailed, and I decided to apply. And actually, they did most of the application for me to Harvard and Yale, and I selected Yale, which, in retrospect, it was one of the great decision I've ever made.

Were you a pretty good basketball player in high school?

You know, I was a pretty fair basketball player in high school.

But you didn't play it in college?

Actually, I'm old enough to have played in the era when freshman couldn't play on the varsity teams, and I started all of the freshman games. And then I had a lot of school work. At Yale nobody cared much about basketball. Basketball is a very long season with a lot of road trips, and I just wanted to play, so two of us from the varsity went and played AAU [Amateur Athletic Union] basketball just for fun.

So that was your career in basketball.

What did you do after you received your law degree?

I came back to Las Vegas to practice law. It had always been my intention to come home. I just love Nevada. When I was looking at colleges, a dear family friend, who was a canasta partner with my mother but was also a high school teacher at Las Vegas High School, had as a student an individual by the name of Norman Hilbrecht, and Norman had just graduated from Yale Law School. Since I had applied to Yale, they thought it was a good idea for me to meet him. While he was in Yale Law School he had been an advisor on the undergraduate, freshman campus, and Norman talked to me about Yale and told me

what a great opportunity it was. It was one of the factors in deciding to go to Yale. At the same time he said, "What are you going to do in the future?"

And I said, "I'm going to be a lawyer."

And he said, "Well, if you go to law school, look me up in Las Vegas and maybe we can get back together." And that's just exactly what I did. I was going to law school. I kept in touch with Norman. And when I was in law school, Norman and another individual, who is still my partner, Terry Jones—Terry had graduated from Harvard Law School—had their two-man practice, and I worked in the summers for them as well as another job clerking, and then when I graduated, then passed the bar, I went to work for Norman and Terry. I've been in that same law firm, only with different names and different people, since. I've only had one job.

That's a long time to be in one position.

And it's scary, but that was about 1968, so it's thirty-six years.

When were you appointed to the Nevada Gaming Commission?

I was appointed by Governor O'Callaghan probably in December of 1970, and I took office in January of 1971. As you're aware, the statutes prohibit a governor from appointing more than three individuals from the same political party, and Governor O'Callaghan was succeeding a Republican governor, who had three appointees that were Republicans and two Democrats. For the three Republicans, their term expired in April of 1971, and I guess traditionally when there's a new governor, the individuals whose terms are getting ready to expire submit their resignations. They were all three Republicans, but the other two were Democrats, so Governor O'Callaghan only had one Democrat that he could appoint. He selected me and two Republicans—Walter Cox and Clyde Turner—and we all took office in 1971.

You replaced Ken Turner, didn't you?

Yes. Ken Turner was an ob/gyn, I believe in Las Vegas.

I was going to ask you if you knew Governor O'Callaghan prior to your appointment, but you've already explained you've known him since you were in high school.

Yes. He was my hero, my mentor. Everybody has one. I was very close to Governor O'Callaghan all the way through high school and through college. When I was in law school, he was in Santa Rosa with, I think, the Office of Emergency Preparedness. We would have lunch together, dinner together at different times. His family was very close to my family in Henderson. When I was growing up and going through high school, my sister, who was four years older than I, had Governor O'Callaghan also for a teacher. My parents were kind of like his surrogate parents in Henderson, always keeping him in line. So the families became very, very close, and I became very close to him, and we kept that relationship going.

When he decided to run for office, I remember I was going up to a parole hearing, the only one that I've ever been to, at the prison in Carson City. The son of a friend of my mother's, a colleague working in VoTech School, a very nice woman, had run into some problems. They didn't have much money, and he was coming up for parole, so she asked if I would go and help them out. I did a lot of that

pro bono work in those days. So I went up and I told Mike I was coming up, and he said, "I'm here. Why don't you stay with me and Carolyn, and I got some things I want to talk to you about." So I went up to the parole hearing and then stayed with Mike that night, and when we had dinner he said, "I'm going to run for office." It was my suspicion that he was going to run, but I thought he was going to run for Congress against Walter Baring, who was a person that was defeatable in the Democratic primary, but never in the general election, because he got more Republican votes than Democratic votes. He shocked me by saying, no, he was going to run for governor.

At that time, Governor Laxalt had announced that he wasn't going to run for re-election. He was very popular man in the state, and his lieutenant governor, Ed Fike, was a very popular guy, and very wealthy, and had obviously all the establishment support, and Mike had basically himself, and he said that he was going to run for that position. These were the days where basically you didn't run two-year campaigns like they do now. We'd run maybe for six months or something. But at that point, I said, "Mike, you know, you're not going to have any money compared to what the other side's going to have. But one thing you *do* have is that if you can get in a room and talk with ten people, six of them will vote for you, and two of them will be thinking about it, and two of them will hate your guts." So I said, "You got to get around the state and talk to everybody you can." In those days, the state was only four or five hundred thousand people, so you could do that. And that's what he did. He just started off that year and it was one of those Pied Piper campaigns where truly the best guy won. We had very little money. My mother hocked a diamond engagement ring to buy bumper stickers and stick-ons right near the end of the election. It was bare bones, but it was where the person who should be elected was elected. He was a guy that everybody loved then. He just passed away, and probably is still the most revered politician in the history of this state.

Right. Well, he left a lot of legacy, but also, the Gaming Control Board and the Gaming Commission people like Phil Hannifin and Roger Trounday and yourself, of course, were appointed by him.

Yes. In fact, if you want some really fun background about the kind of guy Mike is, when he was running for election—and in those days I was twenty-six years old—I was such a fan of Mike's. It was like following a movie star around, in my opinion; he was a person I just respected so much, and there wasn't anything that I wouldn't do to try to help him get elected. But I, in all honesty in my heart, think we had a hundred-to-one chance to win. In fact, when we opened our campaign headquarters, it was right down here on Charleston Street, at Fifteenth and Charleston, and we rented a space in a building at the end of a shopping center that had been vacuum cleaner sales location. When we had our campaign headquarters opening, we had maybe two hundred people. Out of that, one hundred and eighty of them were from Henderson and were former students. Ten of them were the political hangers-on that you see, and ten of them were just bums walking up the street, seeing if there was free hot dog and beer, who just popped in. Ed Fike was opening about two or three weeks later, and everybody who was anybody was there, including all the major Democrats: the Lambs, the Mahlon Browns, Senator Brown, Jerry Mack, Perry Thomas. Everybody was there; we had nobody. And, in fact, to add insult to injury, the Democratic state central committee chairman, Denny Hill, and county chairman, Bill McGarry, endorsed Hank Thornley, who was Mike's primary opponent. [laughter] In those days, the political party leaders never endorsed somebody in a Democratic primary. And in ours, both heads endorsed the other guy.

[laughter]

The rest is history, though. Mike was elected, and because of it there were about six of us that were his little strategy group that would meet at six o'clock in the morning once a week, sometimes twice a week if there was a reason to. It was Grant Sawyer, Al Bramlett, Jack Lehman, George Rudiack, an attorney that passed away a number of years ago, and myself. I think there was one more, but I just can't recall. But we would meet and strategize and talk about the campaign and what we should do. And true to Mike's character, after he was elected, he left and I think he went to Hawaii for a week. His stump was all bloody from his leg walking around, so he took some time off and then came back and decided, "Now we've got to form a government," because nobody had given any thought to it. At least, I certainly hadn't because I was trying to see if we could win, and I didn't think we could. Mike was focused on winning. Governor Sawyer and some of the others like Al Bramlett, who was the head of the culinary union then, were people that had been in politics for a long time. They weren't neophytes like us, and so I'm sure they had their eye on what was going to go on after he was elected.

He called us all together after he came back from Hawaii. It was his first meeting, and he got the same six people that he had consulted with all along, even though now he was the governor-elect and everybody now wanted to be his friend. And he made an announcement when we sat down. He said, "Look. We've got to think about putting the government together." He said, "I've already made my mind up on two appointments." And he said, "The two are, chairman of the Gaming Control Board is going to be Phil Hannifin, as the guy had worked with the Job Corps campus and stuff. And Phil, I think, is going to do a splendid job." And he said, "I only have one Democrat I can appoint to the Gaming Commission, because the two Democrats that on there have two years left and they have not submitted their resignations." And he said, "I decided I was going to appoint Frank Schreck." And at that time I was twenty-seven years old. I was leading anti-war demonstrations and integrating the elementary schools, so I was kind of like the William Kunstler of Las Vegas, and totally out of step with the general political philosophy of the community. But still, I was somebody that was close to Mike and he trusted. And I can tell you that Al Bramlett fell out of his chair, and Grant Sawyer fell out of his chair, because they had other people in mind that they wanted appointed.

Sure.

And for Mike to come out of the box and appoint me—not only was I doing all of the integrating and anti-war demonstrations, but I was also twenty-seven years old, which was probably half the age of the youngest guy who had ever been on the Commission. Later on, Mike appointed to the Gaming Control Board Shannon Bybee, who unfortunately passed away a year ago. Shannon was in his early thirties. And since then other younger people like Michael Rumbolz and some others have been appointed, but none as young as me, nobody up to that time. I think on the Gaming Commission the youngest had to be in their fifties.

So you're still the youngest person ever to have been on the Commission?

Oh, yes, I'm sure I am. And believe me, it caused a lot of shockwaves in the established community, to see me get appointed. It shocked me! I had no idea. I didn't ever ask for anything. I was naïve about it. Everybody else had things that they wanted to now get because Mike was elected, but I had never thought about that, and when he appointed me to the Commission, it literally shocked

everybody. And me!

[laughter] That is funny. He hadn't ever discussed it with you.

Oh, no, never. I'd never discussed appointments. I mean, up until the election night—we had a guy, and to this day I can't remember his name. I've been in a lot of political races, but in the days without computers, whether he was lucky or not, this was unbelievable. It was election night and the results were coming in, and we had laid out tables of precincts, and as they came in we were tabulating. It was probably about eight o'clock at night, eighty-thirty, and we were losing, and I was depressed. And this guy—he had worked in Hubert Humphrey's campaigns, had been a major demographics guy—he walked through. He had just had his orientation that day about where precincts were and what was mostly Democratic and Republican. He walked down and he looked at all of these votes that had come in, and most of the votes had come in from Republican districts, which I wasn't focused on. *[laughter]* I was just depressed. And he said, "You're going to win."

I said, "What?!"

He said, "No, you're going to win." He said, "Look at these votes. North Las Vegas isn't in yet, Henderson's not in, and the black community in Westside is not in. Those are all going to be Democratic votes." He said, "You're going to win."

Well, we got right up to near the end and it was nip and tuck, and we looked and we hadn't gotten any votes counted yet from the black community where we knew we would be very heavily favored. So I remember Marvin Sedway, one of the all-time great guys. He was an assemblyman, and a political junkie. We were driving down to see what the heck was going on in those precincts, what happened to the ballots, blah, blah, blah, and as we were driving, on the radio the announcement came over that we went from four or five hundred votes ahead to six thousand votes ahead. And I knew what had happened: those votes came in. That's exactly what happened, and I think we ended up winning by nine thousand votes or something like that. It was fantastic.

But typical of Mike's character, he appointed somebody like me who would be the *last* choice that would be picked by the establishment or anybody else. *[laughter]*

Who was the chairman of that Commission?

Jack Diehl. And, in fact, it was interesting, Mike also told me, he said, "Frank, we have two Democrats on there. I don't know who they are. They didn't submit their resignations," and it was Norman Brown and Jack Diehl. And he said, "You know, I have the right to pick the chairman." He said, "I would just as soon have you be chairman. Go up and tell me who this Jack Diehl guy is."

And I said, "Mike, don't push this." *[laughter]* I said, "Right now they're already in shock. I don't have any qualms about my own personal abilities, but I'm twenty-seven years old and we may need an older-looking guy up there. But let me go up and see about this Jack Diehl." Well, I went up and I met with Jack Diehl, and to this day, I'd be hard put to find a nicer, finer gentleman, an unbelievably good chairman of the Gaming Commission. This is a guy that ran a meeting where everybody got their say in, but it didn't last long. I mean, nobody felt that they were cut off. Just a consummate administrative lawyer and chairman. And I went back to Mike and I said, "Hey, you got as good a chairman as you'll ever get." I said, "Just forget about me. I mean, I'm still kind of a political lightning rod. You've got a wonderful, wonderful chairman."

Did he stay as chairman the entire time you were on the Commission?

No, he served out his term, and he wanted to go back into practice. Mike asked me again if I thought about being chair, and I said, “No, no, just get an older guy. I’m comfortable I could do the job, but I think that the industry and everything else expects somebody that has a lot more age and experience,” and so he appointed Pete Echeverria.

So you worked with the two different chairmen: Echeverria and Diehl?

Yes, two different chairmen. I’ll tell you a really nice story. I don’t know if you’ve done research on Walter Cox, who is just a wonderful, wonderful guy. He was the editor of the *Pizen Switch* newspaper, and just a real character and a wonderful man, and a much older guy. Walter was in his late seventies when he was appointed, but, as I indicated, when I was appointed, there were a lot of newspaper articles about the neophyte. Back in those days, Don Digilio used to write the major political column, and he had a whole column dedicated me as the neophyte, saying that someday I may be a good lawyer, but at this point in time I shouldn’t be on the Gaming Commission, blah, blah, blah. I was twenty-seven years old, and when I went up to get sworn in at the secretary of state’s office, I went over with Walter Cox. It’s the first time I’d met Walter. We went in and got sworn in, and as we were walking out, there were three newspaper reporters that were standing there. And one of them, a female, started asking me, well, what do I think about being on the Commission, saying that I just got out of law school and how do I think I could handle the job? I was kind of wise-ass, and so I told her, “Well, you know, I have a law degree, and so I understand regulations and statutes and know how to study them.” And I said, “I think on that basis I’ll have more insight than the person I’m replacing.” And, you know, the person I was replacing was a gynecologist.

So it was my little tongue-in-cheek with her, but it floated right over their heads. Thank goodness, in retrospect. But then another fairly aggressive reporter jumped in and he said, “Well, yes, you’re only twenty-seven years old. How much experience do you really have?!” And before I could utter a word, Walter Cox, who after this became my hero, stepped in front and he said, “Son, between the two of us we have fifty years of experience.” [laughter]

[laughter]

And I’ve loved Walter Cox ever since. We became dear friends, and he was just a wonderful, wonderful guy.

Norm Brown was on that commission, too.

Norm was honest. You wouldn’t ever call Norman a hale fellow well met. He was a conservative rancher, didn’t pal around and go have drinks with us. He was a very, very nice guy, a very well-intentioned guy. He just served the two years of his term and left. He wasn’t a big participant. One thing I can remember about Norman, he voted against a restricted application for a bar somewhere in the middle of Nevada because of the name. It was too racy for him. It had some sexual connotation to it, and so he voted against it because of that. That was Norm.

I can tell you a story about Jack Diehl. When we had our meetings, we'd go over and have a drink afterwards in Las Vegas. And we went over to a bar in one of the hotels. It was a cocktail lounge, but it was a cocktail lounge that was frequented by women of the night. And so, as you know, Jack had one glass eye, or maybe you didn't know. Jack Diehl only had one eye. And we're sitting at the table and having a cocktail, and two girls, who obviously were in that profession, came over and sat pretty close to where we were. I looked at them and then Jack looked at them, and he looked at me and he said, "Now you know what makes one-eyed Jacks wild." [laughter]

[laughter]

But it's that kind of a group that we had. It was just really, really a fun group to work with. And we were there before open meeting laws, so we did a lot of stuff that guys can't do today. And if you want, as we go through this, I can tell you some of the funny stories of things we did.

In 1971, the Tropicana was sold to a Deil Gustafson. Would you tell us about Mr. Gustafson and his time at the Tropicana?

Well, it was kind of a disruptive time in a regulatory sense, I guess. He was from Minnesota or something. My recollection is that he was a banker and seemed on his application to be a very credible guy who had a finance background and was coming into the Tropicana. And the Tropicana had never really had any problems before, that I can recall. So it was fine and he was licensed, and then after that there were problems that occurred. From a regulatory standpoint, and from I think a financial standpoint, the property wasn't doing well. There were people involved in the property—Joe Agosto, I think, appeared at that time, and we didn't know a lot about him, but we were learning about him, and the company was close to being insolvent, and they were having cash infusions on a constant basis, getting emergency participation for the people who would end up buying it from Deil Gustafson. I remember I was going to see if I could find it, but I didn't look hard enough—I still have the original of an order signed by the Gaming Commission delegating to me the authority to close the Tropicana Hotel as a result of my almost daily reviews that I went over with Dennis Gomes at that time, who was the chief of audit. We would go over and count down the cage and make sure they had enough money in the cage to continue the gaming. If not, I could serve that order and the place would be closed, which was kind of an awesome responsibility, because no major casino had *ever* been closed, and I didn't want to be the first person to do that. So fortunately, at that point, "Tiger" Mike Davis loaned two million dollars to the Doumanis, because they were going through this process. And that money went in, and then eventually Mitzi Briggs gave them the more money and, supposedly, put it on a more stable financial basis.

But didn't she wind up getting hurt a great deal?

She ended up losing all of her money there. And that's another interesting one—my father worked for Stauffer Chemical Company in Henderson for over thirty years and was good friends with her father, John Stauffer. And then she married Briggs from Briggs and Stratton, so she was a very wealthy person. And when she came up for licensing, it was clear to me that she was not a businesswoman. She was a person that really didn't understand things very well, and I was concerned about her getting fleeced. And actually, when she came up for licensing, it was my last meeting on the Commission, and I actually

at that meeting asked her if she *really* understood the responsibilities of being an owner and the risks involved in it. And she was there with her lawyer, a guy named Smith from Palo Alto, I remember, and she said, “Yes, I do. Yes, I do.” But, you know, I didn’t believe that she did, and it proved out in later life that she didn’t. And my understanding is somebody told me that years ago she was a waitress in town.

I’ve heard that, yes.

It’s just sad. I mean, she had to have lost—and that’s big money in those days—twenty-five to thirty million bucks.

Yes. And no way to get it back.

Oh, no, it was gone. It was gone. I think they just brought her in and fleeced her.

Well, I think that Joe Agosto was involved in that, too.

Yes, Joe Agosto helped fleece her. No question about it. There were bad guys there.

Did the Doumani brothers wind up buying it?

Yes.

And ironically, Dennis Gomes is now the chief executive officer at the Tropicana.

Right. And, in fact, when we were going over there, we’d made sure we cleared any potential conflict, when we would go over and count the cage down and stuff. Dennis’s wife, Barbara, who was a really wonderful woman and a major sponsor of those early days of Nevada Dance Ballet, was a dancer at the Tropicana. So we kept telling Dennis we would put his wife out of work. [laughter]

It kind of gives you a flavor for the way the regulatory process worked in those days to a certain degree, or the latitude you had before open meeting law requirements, that preclude what we did. Especially when we went to northern Nevada we’d meet for breakfast with Pete Echeverria, the chairman, and basically all the gaming commission members had breakfast together and we’d go over the applications that we were going to hear, and talk about what people felt about it, things you can’t do anymore. I remember one time it was a guy that was, I think, the casino manager at the Tropicana during this period of time, and he had been involved in a Friar’s Club-type scam. If you remember, the Friar’s Club used to play very high stakes gin. And at the Friar’s Club, they had a guy that was peeping through a hole and telling somebody what the cards were.

Yes, I remember that one.

Well, this person had been involved in a similar type event in Las Vegas, but the person they cheated was Jay Sarno.

So we were sitting talking about it, and this guy was tangentially involved in it, and, you know, geez, what were we going to do with him, and so kind of joking said, “Well, you know, there is some

socially redeeming value to cheating Jay.” [laughter]

[laughter]

So maybe it’s not as bad as if it was a regular guy. And so we decide, “Well, we’re going to make him sweat.” So we said, “OK,” and we designated one commissioner to make a motion, but after there was a call for the motion, I’d wait thirty seconds or sixty seconds. There’d be dead silence, and then I would make a very reluctant motion to approve. And then there’d be dead silence again, and then there’d be a very reluctant second. And then we would go down the thing, so it turned out three-to-two, and the third was the final approval vote, and the last vote on it for approval was Walter Cox. And as we went through this whole charade, Walter voted the wrong way. [laughter]

[laughter]

Oh, yes, a denial. And I was the one that made the motion. So I looked at Walter real fast and he asked for a reconsideration. [laughter]

[laughter]

Well, the best laid plans, you know.

Yes, yes. But like you say, you could not do this today.

No, you can’t do that today, but we made him sweat. We wanted to exact our pound of flesh, you know?

Yes. [laughter]

We had some good times. Walter was great. I remember one time we had a house of ill repute come up for licensing for a slot machine, and so I said, “You know, wait a second. My understanding is that to have a restricted license you have to be in an adult place, and it has to have a liquor license,” in those days. “So adult and liquor and no minors.” I said, “The whorehouse qualifies for that.”

[laughter]

I said, “That’s what the law is.” I said, “The state says you can have one. If the county wants it, it’s county option. The county says it wants them. It’s a legal, licensed business! And it’s adult, and it has liquor, and it’s no minors.” I said, “So why can’t it have slot machines?”

“Well, you know, it’ll tarnish the reputation of the state of Nevada.”

I said, “Give me a break. Come on!” [laughter] So we got starting to vote for it. I made a motion to approve the application. I said, “You know, if somebody other than me made the law, I’d have no problems with it.”

And Walter Cox said, “Well, as long as they don’t have quarter slot machines, because I don’t want Nevada being known as having two-bit whorehouses.”

[laughter]

And then another time in the course of the discussion he said, “You know, that’s not a bad idea, because that may be the only slot I can fill.” [laughter] But that’s how our meetings went. Needless to say, Walter and I lost three-to-two, but we stood up for our own principles.

We’d had another one, and this was after Clair Haycock came on board. There was a guy that came in as the casino manager and general manager of the Sahara, and he had just gotten off five years parole after having served five years in prison for killing his wife. She had been having an affair, and he caught her and he shot her full of holes and reloaded his gun, I think my recollection is, and shot her some more, and the Gaming Commission approved it three-to-two. I voted against it and Haycock voted against it. And I said, “You know, hey, I want to see the guy rehabilitated and have another job, but not a licensed position.” I said, “It’s kind of early in the game after just getting off parole, to give him the Good Housekeeping stamp of approval from the State of Nevada.” But they voted for him and he got licensed.

And about six months later we had a case where a guy was in the middle of his divorce and he lied on some interrogatories in his divorce when he was talking about what money that he had. He hid some money away, and that was his investment in his gaming venture that he was getting licensed for. He had lied during the course of his divorce about it, and that was discovered. So we get to the vote, and I vote against him again to be consistent, and the guy gets denied. And Clair Haycock, who voted in favor of this one, said, “Well, you know, the message that the Nevada Gaming Commission is sending is that if you have a problem with your wife, don’t lie on the interrogatories in the course of the divorce, just kill her.” [laughter]

[laughter]

But that was one of the more interesting licensings that we went through.

To go back, in December of 1971, the Aladdin Hotel-Casino, which was in dire financial straits, was purchased from the Recrion Corporation by a group from the Midwest. Do you recall some of the members of that group?

Yes! I remember Richard Daly and Peter Webbe, and the Goldfarb brothers, and George George, Sam Diamond, who’s still around.

Sam Diamond is still around?

Yes. In fact, I represented Sam just recently on an application. He’s still running poker games.

Oh, is that right?! [laughter]

Well, actually, now he’s not running . . . on the race and sportsbook he was a consultant.

What problems did those applicants face when they applied for licensing?

Well, when we got their first applications, they had some other individuals that had applied and Mrs. George, she ended up getting licensed, and there were some individuals that we were always concerned were lurking in the background. I know Sorkis Webbe was an individual that we were concerned about, but his brother, Peter Webbe, got licensed. And in those days, our investigative techniques weren't as finely honed as they are now. We didn't have the benefit in those days of FBI wiretaps and those types of things.

Didn't have a budget either, did you?

No, not much of a budget. And there are things that you just really couldn't ferret out. We all had a gut belief that Peter Webbe was sitting there as a alter ego for Sorkis Webbe and that Mrs. George was for her husband, but there was nothing we could really prove about it. So I think we licensed them with some restrictions. I think there were one or two that we threw out in that bunch, but I think it ended up that Peter Webbe and Mrs. George were licensed. I'm not sure if Daly got licensed, but he may have been and one got out of the Goldfarb brothers. I think there were a couple of them where the application as originally submitted was not going to fly, because there were some people that, in fact, we felt uncomfortable with. And then working in the background also with Sorkis Webbe was Jim Tamer, and people with bad reputations from the Detroit area. So we culled some of those people out, and we ended up with a group that I guess we could live with, with certain restrictions. Like we've discussed, Sam Diamond was the one person there that had some gaming experience and had been licensed in the state, and I think we probably trusted him a whole lot more than anybody else there.

Well, there again, a big thing was that you were able to keep the casino open.

And that was important, because it was going to close otherwise. There was no other choice. You always say that economics doesn't prevail over strict regulations, but that's easy to say outside of the context of causing a loss of, in those days, a thousand jobs.

Yes, that's very important.

And we thought we could get a handle on him, because we monitored him pretty closely, and eventually we did kind of chase him out of the state because it was clear that Peter Webbe was holding for Sorkis Webbe [laughter] and that Mrs. George was holding for Mr. George. I mean, it turned out our suspicions were eventually proved. But they left. They moved away.

And James Tamer, I believe, wound up in the "Black Book."

James Tamer is in the "Black Book." Sorkis died before they could ever do anything about him. But his brother, Peter Webbe, was spotless. As I recall, he was a lawyer in Detroit, and there was no negative information about him at all. Mrs. George was a businesswoman herself, and she was different than Mitzi Briggs—not just somebody with money, but she had been in business.

Well, I guess sometimes you may have wanted to turn someone down, but you really didn't have enough basis to deny them.

Oh, yes. And some of the ones we're going to talk about in a little while were people that you had gut feelings about. I remember there's one of them that we'll talk about where Shannon Bybee had said on the record, "You know, I had to drink this big glass of milk this morning to settle my stomach before I could make a motion for approval," because in his stomach he *knew*, in his gut he knew that there was something wrong, but he couldn't prove it.

Well, that's what we're going to talk about next probably, Allen Glick and the Argent Corporation.

Glick was very smooth, very bright. There was no indication that he had any mob connections at the time. When he first got licensed, I think the Hacienda was the first thing he got involved with. It was a small place and he could financially handle that himself, so there weren't any real concerns that were raised in the course of that investigation. But I think the Board subjected him to a polygraph, which was very rare in those days, because they just had that gut feeling that there might be something wrong. My understanding is that he passed it with flying colors at that time about some associations and relationships and then eventually he went on to acquire the Marina and then the Stardust properties.

Was that the person that Shannon was upset about, or had the gut feeling about?

No, I think that was Morris Shenker.

In years to come, as you mentioned, Allen Glick expanded his holdings when, like you say, he went into the Stardust. When you were on the commission, did the Stardust Casino executive, Frank "Lefty" Rosenthal ever appear before you to be licensed?

He didn't appear before me, but this is a tidbit that probably nobody knows, and I thought about whether I should talk about it, but I will. For a number of years I had tried, discussed and cajoled with Phil Hannifin to call "Lefty" Rosenthal forward for licensing, as he was food and beverage then and he had that TV show, and obviously he was something more than a food and beverage manager. And the Commission doesn't have the right to call somebody forward, so I talked to Phil on a number of occasions about why isn't "Lefty" Rosenthal called forward for licensing? A number of years went by and he finally was called forward for licensing, and actually, that call forward was my last meeting on the Gaming Commission. It was Mitzi Briggs and "Lefty" Rosenthal, which made my day. It was a great day for me.

I subsequently have an opinion, after discussing things with people in the past, because I knew what a hard-nose regulator Phil Hannifin was. He was a give-no-quarter guy, and I could *never* understand why "Lefty" Rosenthal was never called forward earlier. And I guess opinion protects me, but my *belief* is that he was a federal informant—that basically a federal agency asked Phil *not* to do that, because there would have been no other reason that Phil wouldn't have called him forward. And that finally made sense to me. I could never understand that piece of the puzzle. It was just not like him [Phil] to not call Lefty forward.

It's an interesting theory.

And another thing about "Lefty" Rosenthal I thought was always interesting is that way back in

the early days, all the race and sportsbooks were outside of casinos.

Right.

They weren't in casinos. And the reason they weren't in casinos is the federal government had a ten percent tax, a gross tax on the top of their revenues. Well, the margins in the race and sportsbooks are not that big, so basically the only way that the race and sportsbook could survive independently was to lie to the federal government on taxation issues, because it couldn't survive otherwise. And that's the reason why gaming would not allow those to go into big gaming casinos, because we knew these guys were having to provide false figures, or do something, because they couldn't afford to stay in business and pay that ten percent tax. I remember Senator Cannon got it rolled back to two percent. When he got it rolled back for two percent, we had the gaming policy committee, which is provided by statute, which I don't think has met in fifteen years or something. But it *did* meet. O'Callaghan had it meet a couple of times, and it met at this time on the issue as to whether or not race and sportsbooks should be allowed into casinos, and we decided that from a policy standpoint they should be allowed to, because the excise tax now was two percent.

In the course of those public meetings and the commission hearings on the regulations for that, nobody knew who "Lefty" Rosenthal was. He was running the Rose Bowl race and sportsbook. He came up to speak. I'll never forget. He kind of stood up and he said, "Well, you know, I'm not a lawyer, and I just can't speak very articulately about stuff, but I do know the business," and he went on and on. And actually, he provided us, in terms of an education on race and sportsbooks, more than anybody else had, so several of us commented as to our appreciation for the information he provided: "Forget being a lawyer. You did a great job, blah, blah, blah." Well, from that second forward, you couldn't get a microphone out of his face. He went up to the commission meeting at Carson City—we had it up there—and you couldn't shut him up, and that was the way he was the rest of the way forever. He was a legend in his own mind. This is before we knew all the contacts that he had. But it was funny that we kind of gave him his big opening to become the celebrity that he believed he was.

Yes. [laughter] But he was big in Las Vegas for a few years.

Yes, he had his television show, which I watched—if you're a masochist and you want to watch something that is so bad it's funny. I used to watch that. I mean, seriously, he was so bad it was funny. People would be mocking him behind him, and he wouldn't understand because he had such a big ego. It was just fun to watch.

In 1972, Governor O'Callaghan made the decision that he wanted to meet Howard Hughes face-to-face to determine if Hughes was really alive and competent. How was the Commission informed of Governor O'Callaghan's determination?

Well, actually, it wasn't just Governor O'Callaghan that met with Howard Hughes. He took Phil Hannifin with him. And Phil Hannifin, being the type of person that he is, wouldn't trust his own observations to know this is Howard Hughes, so he rolled his fingerprints. And so that's how we confirmed it was Howard Hughes. They wanted to know directly from Mr. Hughes if what was going on in his reorganization of his gaming company, was what he wanted and was at his direction and that he

understood what was going on. He said he did, and that was it.

So Phil wrote up a big, long report, and then Phil appeared before the Commission?

Yes. He discussed what they had asked Mr. Hughes and his responses and Phil stated that he and the governor were convinced that they did talk to Howard Hughes and that what was going on in the state of Nevada with reorganization of his gaming properties was what he wanted to have done.

I thought that was a really important meeting.

Yes, it says that you're not going to just deal with, as we used to say, "ghosts," or people that may not exist, or people that we don't know what their real intentions are, because at this point, he was sequestered away, and we didn't know if somebody else was running his life or that he was a prisoner in his own estate. We needed to have some face-to-face meeting, either in a public meeting, which we knew would never take place, or a face-to-face meeting with the governor and the regulator where we could be assured that what was going on was something he knew about, understood, and was agreeable. I remember in talking to Hannifin, he said that he had researched a bunch of set questions that only a guy like Howard Hughes would know. And some of it had to do with aviation. He said when he got to some of those questions, which were really, really technical and ones that only a guy like Howard Hughes would know—and nobody studying to be Howard Hughes would—he said that even though [Hughes] had kind of concaved eyes, real hollow eyes, he said you could see them light up just like burning rays when he started talking about airplanes and the technical aspects of them and everything. He said his personality within that face just totally changed when he got into what clearly he loved. And Phil said without question, he talked to Howard Hughes.

This is a little out of order, but I asked you a question about Morris Shenker in 1974. So let's get back to that and tell us what you recall about the investigation of Morris Shenker and his application to get into the Dunes Hotel.

Well, Morris, at the time he applied, was a very well-known, fairly controversial lawyer out of St. Louis. He had represented members of organized crime. He had represented good guys and bad guys. Very flamboyant, very bright guy. All of us had some severe reservations about whether or not he was good for the state of Nevada because of his past contacts and some of the information that was slowly developing about the Teamster pension funds and organized crime involvement. And so we all had some real concerns, but once again, as a lawyer on the Commission, I always felt that if I could not prove something, I didn't have the right just to go with my gut. I felt that I needed to have facts, and if the facts aren't there, I just can't say that I *feel* some way. It's got to be established. Shannon Bybee was the same way, and I think this was the licensing where he put it on the public record that in the morning before the hearing he drank a huge glass of milk so he could settle his stomach before he made a motion to approve Morris. I think all of us kind of felt that way, because we just couldn't put our finger on it, and we all felt that if we had all the information, he wouldn't be a suitable person. But we didn't have all the information, and based upon the information we had, he got licensed.

So he came to you as being recommended for approval by the Gaming Control Board.

Oh, yes. Oh, yes.

What was the final result?

He was licensed to own the Dunes Hotel, and did own it and ran it for a long time.

And he was successful there at the Dunes?

Fairly successful, but, you know, one never knows about that operation.

[laughter]

We have much more sophisticated financial reporting and auditing now than we had in those days.

In March of 1975, Bally's Gaming, Inc. applied to take control of Bally Distributing Company. The reputations of several principals were questioned extensively regarding their past histories and their current associates. What was the Board's recommendation to the Commission?

I can't really recall what the Board's recommendation was. I know there were a lot of issues with respect to individuals involved with Bally Manufacturing. There was a guy named Dino Cellini, who was a representative of one of Bally's distributors doing distributing in Europe, and in America, I think, that was linked to organized crime. There was a guy named Sam Klein. There was a guy named Green that had been linked to the company that had alleged nefarious contacts with organized crime. The company itself had been in the pinball business and then into slot machines, and so it carried whatever negative matters that related to those old businesses. So it was an application that created a lot of concern with both the Gaming Control Board and the Gaming Commission. I remember the commission meeting was somewhat contentious. I had taken positions different than Chairman Echeverria. I felt that some of the people really weren't suitable to being licensed. And in the order that they came up, there was a vice-president—and I can't remember what his name is—that came up, and I made a motion to deny that individual.

Was that Sam Klein?

I don't know if it was Klein or Kaye. Kaye, probably.

Oh, Irving Kaye?

Yes. I can't remember which one. But I know that that motion passed three-to-two and he was denied. And then the chairman and chief executive officer, Bill O'Donnell, who I had more concerns about than this other individual, came forward, and he was approved three-to-two, and I believe I voted against his approval. And he created more problems for me in my analysis of their backgrounds than the other individual I had voted to deny, and who *was* denied. And so when I came back from lunch, I'd

given it a lot of thought, and I said it to myself, “That’s not fair. I don’t have as much concern about the person that was denied as the person that the Commission had approved.” So I actually reopened the vote on that individual and changed my vote, because he caused me less concern than the person that ran the company that they were licensing. So why should this guy be stigmatized if the Commission in its infinite wisdom was going to license the chairman and chief executive officer who I had more concerns about? So it was a fairly interesting licensing. I know I had a couple give-and-takes with Chairman Echeverria with respect to what I believed we should be doing as opposed to what we did.

Was that one of the more contentious meetings that you ever had?

Yes, I think with Pete, I think it was maybe the *only* contentious meeting that we had.

And things like that, when the meeting’s over, everything’s forgotten, right?

Oh, yes! Yes. Pete was a great guy. We had differences of opinion. I think he had a closer relationship to Bally’s and to the lawyers that were representing Bally’s, and he was probably more accepting of some of the positions they took than I was. And one of the things that came out of Bally’s licensing was the requirement that they have a compliance committee, which was the first in the history of the state. Now that’s actually routinely imposed on companies that operate in more than one jurisdiction. But this was the first one that we crafted, and the purpose for the compliance committee was to keep checks on who they did business with and to try to ensure that they didn’t do business with . . . I think Abe Green was one of the guys, and Dino Cellini was another one of the individuals that Bally wouldn’t do business with anymore, and we had their compliance committee supposedly monitor that. But that was the first compliance committee, and now public companies and other companies that are in multiple jurisdictions all are required to have very sophisticated compliance committees.

That’s interesting that that was the first one.

Well, it was because we were still unsure as to whether or not we were doing the right thing when we licensed them, and I guess one of the safeguards you can try to build into it is that the regulatory process in Nevada is self-regulating. You do an investigation at the beginning and you either approve or you deny somebody’s application. Once they’re approved, they’re there for life unless they quit, die, or it’s taken away. We don’t have annual renewals or bi-annual renewals like other states do. So the first investigation has to be good enough to make your decision, because that person is there forever unless you find some reason to be able to deny him. And sometimes when you have to make that decision and it’s a close call, you can limit license or condition license in certain ways, and this one I’m sure we conditioned on creating this compliance committee, which would assist in the self-regulating aspect of their regulatory obligations. And by that I mean the compliance committee would have a formal responsibility of reporting on a monthly basis or a quarterly basis to the Gaming Control Board what was going on within the company in certain areas that we were interested in.

And then you can put them on a probationary basis also, is that right?

In those days you did. They don’t do that anymore. What they do now is they give them limited

licenses, and they do that because if they were on a probationary basis, then it was believed that the state would have the burden of proof in showing that they shouldn't be licensed anymore, and it was like a revocation. Whereas a limited license now is given for a certain period of time, and then it lapses unless you get it renewed, and receive a new license, where you have the burden of proof once again at proving your suitability, then your license is gone. So the state figured out a way to keep the burden shifted to the applicant as opposed to it shifting back to the regulators.

What other applications came before the Commission during your tenure that you would care to comment on?

I'm sure there are many of them. One I can remember that was unique was when Hughes Tool wanted to reorganize their corporation, which required shifting of some licensing and some gaming approvals to Summa Corporation. And at that time, a very powerful man in the community, Hank Greenspun, was in the midst, I think, of some litigation with Summa over some issues, and he vehemently opposed in his newspaper *and* came personally and made almost a half-an-hour to forty-five-minute presentation in front of the Commission in opposition to their licensing. That's back when there were some investigations going on—federal investigations—that by rumor had implied that Hughes Tool executives were involved in some nefarious secret activities with either the CIA or money being given to presidential candidates. There were some issues raised and Mr. Greenspun felt that we shouldn't license until those were all resolved. I personally talked with him prior to the meeting. I met with him and I told him that I couldn't support that kind of position, even though I had the utmost respect for Hank, because those issues that he was talking about might never be resolved, and this was a company that was currently licensed and was just going through a reorganization. So nothing was really changing; it was just reorganization with its corporate entities, and I didn't see any reason to stop that. But it was an interesting vote on the Commission. Two commissioners abstained for various reasons, none of which I thought were worthy of abstaining, and three of us voted on it, and we did approve the reorganization, and Hank was still my friend.

Another one I thought that had a little twist to it was when we licensed the MGM at the big MGM property. I know there was a lot of intrigue with respect to that property, some belief that certain people didn't want it to be there because it might be so big and attract so many customers that it would hurt the business of other casinos, and so there was a lot of pressure on the Commission in those days to maybe not allow that large project, because it was far bigger than any casino project in the history of Nevada to go forward. Kerkorian was building it, and I think to the credit of the regulatory agencies that none of us felt that that was our responsibility to regulate competition. If he was going to build a better mousetrap, then he was going to catch more mice, and that's the way the free enterprise system worked, and that's the way that the gaming industry should work. And it's stayed that way ever since that time.

And they keep building them bigger.

But now people believe that if someone builds a big place next to the one you own, it's great because you're going to take some of those people and bring them into your casino if you're doing the right marketing job. So that type of restrictive thought, it doesn't exist anymore.

When did you resign from the Commission?

My last meeting, I think, was August 1975. It could have been July, but I think it was August 1975. And it was interesting. I had just been reappointed for a new four-year term in April of that year, but a person that I had a tremendous amount of respect for, Shannon Bybee, who was on the Gaming Control Board during the whole time I was on the Commission, had four children, and the Control Board paid something like twenty-five thousand dollars a year and he couldn't afford to stay on, so he was not going to accept a reappointment and was going to go on into private practice. And I wanted Shannon to be part of my law firm. I felt that I couldn't stay on the Gaming Commission and do that because of the appearance of potential conflicts of interest. And so I called up Governor O'Callaghan and told him that I appreciated being reappointed, and I'm sorry that just several months later I had to tell him that I had to resign because I was going to bring Shannon into my law firm and I felt that there would be an appearance of a conflict because Shannon was going to want to probably get involved in gaming work, or is well known for his gaming work, and I thought that it would be irresponsible for me to stay on the Commission and bring him into the firm. So I told the governor, and he understood. And so I resigned my position effective, I think, August of 1975.

So you and Shannon were fairly close.

Yes, Shannon was one of my favorite people, and as you know, he passed away last year.

Yes.

Tremendous person. Probably no person I've ever met had greater integrity. He was a tremendous Gaming Control Board member, and he was the kind of person I wanted to practice law with, so I gave up my seat on the Commission so I could do that. We practiced law for a number of years together, and then Shannon went in-house with the Golden Nugget, and we still continued to work together, because we represent the Golden Nugget. And eventually, when Shannon left the Nugget and left Atlantic City and came back, he worked out of our offices as an "of counsel" lawyer, and then we served on compliance committees together, and I participated in some of his academic ventures at the university when he created the first gaming program out there, a real sophisticated gaming program at UNLV. He was a person I admired through my whole relationship with him and was very, very sad to see him pass away.

Who replaced you on the Commission?

George Swarts.

And after leaving the Commission you went right to work with Shannon immediately?

I worked with Shannon. We got together, and part of our idea was since we had been on the regulatory side, we had developed an expertise in gaming law, which you couldn't develop anywhere else. The university didn't teach gaming law. We had no law school, and Nevada was the only state with casino gaming, so no other university had an education based on gaming law. And we both felt that would be a good niche for us to have, because Shannon came into my very small law firm. I was still with Norman Hilbrecht and Terry Jones, the two that originally hired me, and myself, and Shannon was the

fourth. So we decided to focus on that, and it took a while to start developing it, because our reputation was that we were the hard-nosed regulators. When we left, probably the greatest cheer wasn't for us coming to work for these guys, it was the cheer that we were gone. But we didn't mind it, because in the long run that proves to your advantage, and it did. Shannon joined me, and then we started developing slowly a gaming practice. Shannon left, and eventually I brought Mike Sloan in. He came over from Jones Vargas at that time—it was Jones, Jones in those days. And Mike and I then continued that development of the gaming practice, and it's just gone on since then, and contrary to my major competitors' publicity campaign, we've developed into, by far, the largest gaming practice anywhere. We represent four of the five largest gaming companies in the world, and for the fifth, I represent half of it, and that's MGM Mirage. I still represent to a great degree the Mirage resort side of it with Bobby Baldwin, who stayed on after Steve sold out. In fact, I represented the whole company on the most major disciplinary action in the history of the state, and that was the Regulation 6a currency transaction reporting violations, which we settled a year ago or so for five million dollars.

What are the other four largest gaming companies?

The other four now are Caesars Entertainment, which is a combination of Hilton, Bally's, and Caesars; Mandalay Bay; Harrah's; and then in this town, Stations Casino.

Oh. Was it Caesars World, or is it Park Place?

Caesars World was purchased by Park Place. They've now changed their name to Caesars Entertainment. Well, Hilton purchased Bally, and Bally was run by Arthur Goldberg. And Arthur, even though he was purchased, he came over and basically took over the gaming side, and Mr. [Stephen] Bollenbach took over the hotel side. And they then acquired Caesars and spun off the hotel section and became just a gaming company, which was Park Place, and that was named for the Park Place facility in New Jersey that Bally's had. But then wiser minds prevailed and decided that the one real name that that company had that everybody in the world knows and associates with gaming is Caesars, so they renamed the company Caesars Entertainment.

Oh, so there is no Park Place.

No. Park Place was just a name, and it's gone.

So you would definitely have to say that your time on the Commission was beneficial to you in the rest of your career.

It was more than beneficial; it determined what I would do for my career. I had no expertise in anything [laughter]. When I went on the Commission I was just a young lawyer in general practice. I've represented people from DUIs to juvenile cases to murder cases, personal injury work. I've done a little bit of everything, but I eventually focused on gaming and was fortunate enough to develop a large enough practice where that's all I do. And I have other lawyers in my firm now; we went from four to almost thirty.

Is that right?

And we do a lot of corporate commercial labor, real estate, real property issues with respect to a lot of our major clients, and others, not gaming.

In the almost thirty years since you left the Commission, what are some of the major changes you've seen in the type of applicant applying for licensing?

Well, what's *really* changed is that it's become very, very sophisticated. In the old days before I even was on the Commission, it was perceived, and I think rightfully so, that the process was much more political or good-old-boys-oriented than that it was really a legitimate legal practice. In the old days it was kind of funny. When I first started practicing law, in the Nevada Resort Association, most of the casinos were represented by Cliff and Herb Jones, and eventually Grant Sawyer picked up all of that business and for years Lionel Sawyer & Collins represented most of the major casinos and the Resort Association. And then I've developed my practice over the years with Mike Sloan, who then left, and with other partners that I've had. I've basically taken over most of the major gaming clients and the Nevada Resort Association. I'm sure somewhere down the line in history there will be somebody replacing me, but so far they're not on the horizon, so I'm breathing easy.

[laughter] Well, you don't have the problem of unsavory element so much in the gaming business anymore.

No, to get back to your question, the point of that whole long diatribe was that gaming used to be who you knew, and it wasn't a very sophisticated practice. Now, thirty years later, it is a highly technical, sophisticated, administrative law practice. You have to know what you're doing. You're dealing now with billions and billions of dollars. We have restaurants that are built now that cost as much as some of the hotels when I was on the Commission cost. The old good-old-boy system doesn't work any longer, because you need to have somebody that actually knows what the regulatory system is, how you fit different, highly-complex financings within the regulatory structure, how you work the licensing process to enable certain structures to work. For example, Colony Capital, when it bought Harvey's, devised a way to split voting shares and non-voting shares to allow a fund that had a lot of limited partners and very well-respected big pension funds and institutions to invest in the gaming industry without being licensed. There's just a lot of sophistication now in the practice. For me that's protection, because you can't be just some guy that's popular with the governor who comes in and says, "I'm going to run it," because nobody's going to hire him. It doesn't matter if you know the governor. I've known *all* the governors, fortunately.

And as a matter of fact, I might just pop it in now, because I may forget, but probably one of the things I'm most proud of in all the time I've been involved in the regulatory process is that we now have twenty-four straight years of the chief executive of the state letting the gaming regulators do their job: no political influence, no discussions, no direction, just allowing the Board and the Commission to do what they were appointed to do. That has not always been the case. There was a lot of concern with Governor List's administration, people that were involved in that, and Frank Sinatra issues and people feeling that politics played a greater role in the regulatory process than it should. With Dick Bryan as governor for eight years and Bobby Miller for ten years and now Governor Guinn—when he finishes his eight years,

we've had a really, really great run, which has assisted the state immeasurably, because Wall Street firms and other people dealing with the state of Nevada and investing billions and billions of dollars feel very comfortable that the regulatory environment that's been created in the state of Nevada is one that they can invest in, and they can rely upon it and feel comfortable that their billions of dollars are going to be in an industry that is properly regulated. There's enough flexibility in it, but also a strictness—but it's a fair strictness. And I think it's in great deal due to the three governors that we've had, those last three governors and the people they've selected and the fact that they've let those people just do their job and not interfere with any of them.

I remember when Governor Miller was leaving office and he was going to come out looking for a job, and he and I had been close forever. I was the chief political fundraiser for both of Governor Bryan's gubernatorial runs and his first senate run, and I was the chief fundraiser for both of Governor Miller's governor elections. And I have been the co-chief fundraiser for both of Governor Guinn's elections. Been kind of AC/DC because of two Democrats and one Republican, but I always, like a lot of Nevadans, just go for the person I think is the most qualified, not what party he belongs to. So I've been very much involved. And so if there was anybody that could have—and I'm not bragging about this—but could have political influence, I'm a personal friend and I'm their chief fundraiser. One of the greatest conversations I had when Bobby was saying, "OK, I'm going to interview for three large law firms: you and Lionel Sawyer and Jones Vargas," who eventually he went to work for, and one of the discussions we had was about, well, did I expect him to get involved in gaming? And I said, "No, Bobby, that isn't what I would envision you doing in our firm. There are other areas that we're not involved in that you could really help out in, but I want to just tell you something." I said, "In the last ten years has there been anybody really closer to you than me in terms of the political aspects and being involved in gaming?"

And he says, "No."

"Well," I said, "In the last ten years have you ever called me to ask me a favor in the gaming stuff?"

He says, "No."

And I said, "In the last ten years have I ever called you and asked you for a favor?"

He says, "No."

And I said, "You're totally irrelevant to the gaming process." And I said, "That's the greatest compliment I could ever give you, because that's the way it should be." And I said, "So, no, I really don't need you for the gaming. I've kind of got that sewed up." I said, "You know, there are other areas that you'd be valuable in." The same goes for Dick Bryan, who was the same way, and Kenny Guinn. I think people in this state will never probably know that or understand how important that has been to the growth of this industry. There's been no politics, basically, in the regulatory process in twenty-four years. And I don't know who the next governor is going to be, but I hope he continues that tradition.

Well, in years past, like you say, they'd walk into O'Callaghan's office or anywhere and say, "How's about putting my buddy in as casino manager?" He would, what I heard, pass it on to somebody else. He'd say, "Well, go see Jack Stratton, or go see someone else. I don't want to talk about it."

Yes, Mike was that way, but I'm just talking about the ones where I've been a lawyer on the other side. As a regulator, Mike never interfered with anything I did, so you could put him into that same category. I'm not excluding Mike. I'm talking from my vantage point as a gaming lawyer who would be on the other side, and if there was political influence, trying to use that to get my client something that he

shouldn't deserve, that kind of stuff. And that just does not occur. It's done on its merits, and that's the way I always wanted it anyway, because I figure if it's on its merits, then the best guy's going to win.

That's right.

And I don't mind the competition if it's a level playing field.

What are the major problems currently facing gaming in the state of Nevada, or do you think we have major problems?

Yes, I think we've got a lot of major problems in the sense the gaming industry itself faces this onslaught of Indian-American gaming chipping away at all of our markets. Gaming is an impulse activity for a lot of people, and if you can get your back scratched by driving ten miles as opposed to getting in horrible traffic and driving six hours from L.A. up here, you're going to go ten miles away. That's what's happening to a lot of the business here. It's why when Steve Wynn announced that he was going to do the new project, people were saying, "Well, jeez, with the Indian reservations coming on and all of this competition, why would you do that?"

And he said, "Look, you can have Indian reservation casinos anywhere you want. What I'm trying to do is develop just what Nevada and Las Vegas has done, and that is make them a destination resort where gambling is only just one of the amenities. The Indians are never going to be able to do what we can do here in Las Vegas, and that's provide a whole structure that's non-gaming that people want to go to." Vegas always re-creates itself. And I think what's happened now. You'll see the huge expansion, and as you can read quarterly reports, we've had the greatest quarter we've ever had in the history of the state.

And March was a record month for visitors.

And March was a record month. What's happening is that it is a destination resort, and a lot of people would be shocked to know that in most of these major resorts now, gaming accounts for much less than 50 percent of the total revenues generated from these major resort complexes. The area they make most of their money in now is rooms, because they've raised their room rates substantially, but they're still less than not even comparable rooms, rooms that aren't anywhere near as nice, in New York and Chicago and San Francisco and L.A.. And they're now not afraid to charge prices that are not quite that high, but moving up there to \$250, \$275 for a room on a weekend. In Los Angeles, San Francisco it's \$350 or more, and the rooms aren't as nice, but Vegas used to give those rooms away for \$125.

And any increase in the room rate, because they've already paid for the room and they've already paid for getting it fixed up, all goes right to the bottom line. If you add \$25 onto that room rate for one night, that goes right to the bottom line. And so Las Vegas has reinvented itself, and I think this has been one of the major last reinventions, because I don't know where you go from there. Now it's purely a destination resort where gaming is an amenity, just like shopping is an amenity.

For years and years, since I was born and raised here and represent so many casinos, I could eat almost anywhere I wanted for nothing. I mean, I could get comped everywhere. I just wouldn't go to the Strip. There are a lot of local restaurants I'd eat at, because I didn't think the Strip food was that good. When Steve brought in the Bellagio he said two things need to be changed in Nevada: we've got beautiful

places, but what we don't have is high-end retail and we don't have great food. And so what he did with the Bellagio, he brought in high-end retail— now you see high-end retail in all these other places— because he said, “Now people that used to fly over us to Los Angeles or San Francisco, or New York going the other way, will come here for retail because they can get the same stuff and other things.” And then food, he brought in Le Cirque and Prime and Aqua and all of these great restaurants, and Picasso's, which is still ranked the finest in Vegas and the finest in this country. And now to compete with him, when the Venetian gets open, they bring in Lutèce and all of their great restaurants, and Mandalay Bay brings in theirs, and now you literally have in Las Vegas, basically all the greatest chefs in the world, almost all of them, and certainly in the United States, having a restaurant here. Thomas Keller from the French Laundry, which for years has always been the best-rated one, two, or three in the country, has now opened Bouchon. Every major chef is represented here in Las Vegas. So now, from what I thought was mediocre food, in all honesty, now we have the finest food anywhere in the world, and it makes us a place people want to come, whether they gamble or not.

Yes, basically it used to be the big deal buffet and an inexpensive breakfast, and that was about it.

You know, it was an interesting experience for me. My late wife's late father came to town—he's an old Connecticut Yankee from New Hampshire—and I was taking him to Siegfried & Roy at the Mirage on Thanksgiving. I hadn't been out to a show in a while, and certainly not on a holiday like that. And my recollection from growing up here was always that for any family holiday, there's nobody in town. They would literally furlough 20 to 30 percent of the employees beginning at Thanksgiving, bring some back New Year's Eve, and then go all the way through February. You could shoot a cannon through the hotels at Christmas time and Easter time and graduation week in June. Anything that was a family holiday, there was nobody in Las Vegas. And for three months they used to furlough 20 and 30 percent, and close all the gourmet restaurants. I go into the Mirage with that frame of mind, and all I see it is packed, wall-to-wall on Thanksgiving, people with baby strollers and everything else. And I finally realized, when I started asking people, that at Christmas you can't get a room, Easter you can't get a room. What's happened is people found this as a destination resort. The people are coming here bringing their families and they're enjoying the stay here for reasons other than just gambling. And then also in some of those soft periods, early on we artificially supplemented the tourist population with the big conventions. The rodeo, Comdex, and those obviously helped out, but now, Christmastime is packed. This town is packed. Easter, Thanksgiving, you can't get a room. It's totally different than the way it used to be. Gaming has become an acceptable form of entertainment in this country, and what we provide in terms of quality rooms for great prices still, even though they're a lot higher than they used to be, and the types of restaurants and food and the shopping, and then all the entertainment, whether you want to pay for it or not pay for it, it's incredible. And that's why March had the highest tourist month in the history of the state.

And it can satisfy any age group, with the arcades for the children, and there's something for everyone of every age.

Yes. And there was a little push when Treasure Island was built to maybe make this more family-friendly for kids, and I think that was a short-lived experiment. They've taken out the big arcade they built in Treasure Island. [laughter] They changed the ship thing to a more adult theme. That just reflects

the attitude all over town. The hotels and casinos decided we'll make it so it doesn't discourage families from coming here, but this is still adult Disneyland.

What are your thoughts on internet gaming?

I've had the same consistent thought for a long time, and that is that I doubt that I'll see it in my lifetime. I know a lot of companies clearly that I didn't represent or advise, several companies decided to spend lots of money going to the Isle of Man and getting licensed to get all set up for when Nevada and the United States allowed internet gaming. I thought it was all pie in the sky because it's prohibited right now both federally and in all fifty states. The federal government pre-empts everybody first of all, and the federal government is never going to approve that form of gaming. They're not going to expand the scope of gaming with the congress that we have and the feeling in this country. There's not going to be any kind of legislative expansion of gaming by allowing internet gambling. I don't think they'll outlaw it like they tried a couple of different times, because I think there are all kinds of reasons why people lobby. Special interests won't allow that to happen. So its life or death remains the definition of the federal statutes by the U.S. Justice Department, and the U.S. Justice Department is never going to allow internet gaming, and that's clear. And they are the final arbitrator on it, because Congress isn't going to take action one way or the other, in my opinion. Or if they ever take any action, it'll be to outlaw it, but I don't even see that. But the federal government will not. And then if it got by that, there's fifty states that outlaw it. So I think the likelihood of internet gaming, in terms of being able to sit on your computer and run a casino if you live in Utah or Hawaii, is zero, at least as far in the future as I can see.

Let's go back and talk a little bit about the type of applicant that the gaming people are seeing now. What changes have taken place?

When I first started on the Commission, there were very few publicly-traded companies that were in the business. Most of them were all family-owned, like Laxalt's company the Ormsby House, and the Binion's Horseshoe Club. It was basically all individually or corporate-owned, but not publicly-traded companies. Now, Steve Wynn's new project is 2.4 billion dollars. The costs of these projects are so great that you need access to public funds. So basically, every major client that comes in has some public aspect, either debtors or equity, to it. It's basically a public company industry. There are still some small survivors, but not many, and we'll see those finally fade out. Outside of the little mom-and-pop casinos, everything is going to be a publicly-traded company.

And the other major thing I've seen since I was on is the change in financing and the acceptability of investments in Nevada gaming by Wall Street and financial institutions. When I was on the Commission, there were three major banks in Nevada, and only one would loan to the gaming industry. The one that did was Valley Bank, and it was not the biggest at that time. The two biggest of the major banks in Nevada wouldn't loan to major gaming projects in the state of Nevada, and that's why the Teamster pension fund was one of the only sources for the capital. Now, with all the expansion that's occurred over the last twenty years, the gaming industry is a darling of Wall Street. You can see their stock prices and it's a big cash-flow business. I don't know another business that is such a cash-flow business as the gaming business is, and Wall Street is showing its confidence in the industry and the people that run it and the people that regulate it by investing billions and billions and billions of dollars. We've done this year alone with our clients probably five billion dollars-worth of financing, just within

twelve months, including Steve Wynn's financing. But it's incredible the change that has taken place in the financial world. And I used to joke about it, because you could almost see it change. It wasn't because of Nevada. It was when Resorts [Casino] opened up in New Jersey, and Resorts was a three-dollar stock. And it went to three hundred dollars in about four months. I used to joke to my Wall Street friends, I said, "Well, I can see your analysis now: gaming has gone from a criminal enterprise to a growth industry."

[laughter]

And that's exactly the way it worked. They were making money at it, so they all threw money into it. And then fortunately for the state of Nevada, that's continued to occur, because there's no way in the world you can build Wynn Resorts or the Venetian's new project or your Mandalay Bays or Bellagio's thousand-room expansion—and these are all two, three-hundred-million-dollar expansions, except Steve's is 2.4 billion, and the new one that Sheldon Adelson is talking about is over a billion. And without Wall Street financing and institutional financing and that acceptability, it wouldn't have happened. That has been a *major* change from thirty years ago when the two biggest banks in Nevada wouldn't loan.

Any more thoughts on interesting applications?

Yes, I've had a bunch of interesting applications. Part of the fun of my job are the people that I end up representing, and when you're their gaming attorney, they've got to disclose to you information, both personal and financial, that they've, in a lot of cases, never disclosed to anybody on the face of the earth. And usually you meet them as a stranger and they've got to then tell you everything about themselves, and you get to pry—before the gaming investigators do—into all types of nooks and crannies of their professional and business and personal life. And it's been very interesting. I've had the pleasure of representing Sumner Redstone—you can figure out pretty much what he's worth by looking at the value of Viacom today—and Ron Perlman, you can go look at the value of Revlon—or Carl Icahn, and you look at the public companies. But one that really sticks in the mind, because he's *so* private, and his vast wealth is not tied up in a public company, unlike some guys I've represented is a guy, Marvin Davis, a person who has no public companies. Everything he owns is held privately, and nobody really knows about him. It was really fun to sit and talk with him, as the only one guy alive outside of himself who knew the whole financial picture. People knew bits and pieces, even his general counsel, his chief financial officer, but none of them knew the whole picture—just his right-hand guy, who was a combination C.P.A./lawyer. And now he had to divulge everything to me, a stranger, and it was an interesting experience. What happens after those is usually you get a pretty good bonding with those guys. If you have any kind of a personality at all, you end up being friends with them. I continue my friendship with Marvin, even though he's never done anything in the state, a perennial tire kicker. But I've maintained a personal relationship and friendship with him. All of these years have been interesting, and dealing with people at that level . . . it's interesting to hear them tell their stories about how they accumulated their wealth.

Well, is there any truth to the statement that if someone thinks they would have trouble getting licensed, they call Frank Schreck?

I think that probably we have right of first refusal on most business that comes into the state. I'm not demeaning anybody else or any competitors, but I think we've established such a reputation in terms of our representation of clients that when they ask around to either Wall Street firms or big international law firms like the Skadden, Arps and the Latham & Watkins of the world, or they go to the big financial institutions and other gaming people, even ones I know, I've gotten some big referrals in the past from people I didn't even represent that were represented by *other* counsel. We have a pretty good reputation out there, so we get more than our fair share of contacts in terms of being the person. The only one I ever had that really came out and kind of auditioned me on the phone was Don Trump years and years ago.

Oh, he auditioned you on the phone? [laughter]

Yes, he auditioned myself and probably what I'd consider the two major competitors. I have lawyers who are very good gaming lawyers, and he hired me, and it was a strange situation. It's too long a story to tell you, but it was back in the days when Holiday Inns owned the Harrah's properties and he was looking at doing a takeover, and one of my clients posed a conflict of interest when he said that he might be a white knight and buy one of Harrah's Tahoe properties. And so I terminated my relationship with Mr. Trump. But he called me a couple of times again. When he tried to take over Bally's, he called me and said that client, which was Steve Wynn, couldn't create a conflict for him now because he wasn't involved with Bally's.

I said, "You know, I don't need to ask Steve because I represent Bally's, so I can't represent you." And then he did it again another time when he and Steve were fighting, although they're friends now, and so I said, "I can't represent you because Steve's my friend." But I recommended Mike Rumbolz to him, so Mike became president of Trump Nevada. I used to introduce Mike when he was on a panel with me and say "CNNO," chief non-operating officer.

[laughter]

And then actually when Don Trump came into town this last time for the Riviera [to buy 9.9 percent of the Riviera], his general counsel called me and he said, "Don said now you can represent us."

And I said, "Actually, I can't because 9.9 percent of the company sounds hostile to me when I represent the Riviera." So I didn't represent him although I talked to the president of the Riviera later, and he said, "Ah, I didn't care. You could have represented him." But it's fun representing those kinds of personalities. And then there have been some really screwy type of investigations I've gotten into. Bobby Baldwin is the president of Bellagio and the Mirage Resorts. Probably the most bizarre licensing I ever did was Bobby's, and it would take two hours to explain the whole thing. It's funny how these investigations go along. Everything was fine, and the investigation was basically completed. The investigator, whos first investigation it was, went over to interview the personal references, which are really throw-aways. I mean, the personal reference always says, "Hey, he's a great guy," and that's all there is to it.

Well, one of his personal references was Jack Binion, one of his best friends, and Jack said, "Oh, I got to tell you, Bobby Baldwin is the greatest guy in the world. You can't believe what he did for this poker player that always came down to the Binion's Horseshoe. Everybody really liked him, and he was arrested for a triple murder in Oklahoma City, where somebody killed two dope dealers and an innocent bystander. And they put him on trial, and Bobby went back and helped get a lawyer for him and helped

monitor a lot of stuff.” Needless to say, Bobby’s involvement in a guy, the triple murder and dope dealers—that reopened the entire investigation. And it was really funny. There are so many facets to this, but because of his involvement, I believe the district attorney, who got all the credit for this conviction—and we’ll jump to the end—had really convicted the wrong guy, had convicted this guy and sent him to death. And he was on death row in Oklahoma, this poker player, and Bobby got “Racehorse” Haynes’s law firm to do the appeal for this individual. And when it was known that “Racehorse” Haynes was a tremendously well-known defense lawyer, an excellent lawyer in the Southwest, all of a sudden the gaming agent, when he went back to look into this, was told, “Oh, there’s some undercover agents you need to go talk to.” He’d already talked to the undercover agents. Nothing was there. They told him about an illegal twenty-one game that occurred, where there were five people, one of which was an unknown male when they did their report six months earlier, but that unknown male was now Bobby Baldwin. And it was so absurd, because it was this low-stakes twenty-one game, and the guy didn’t fit Bobby’s description or anything, but I think it was the district attorney who was angry because Bobby is getting a real lawyer involved in this case where he took all the credit for the conviction. And to make a long story short, he was identified as being in this twenty-one game, but he wasn’t in it. It was nonsense, and we could show he was in the hotel. But we get to the Gaming Control Board, and the Gaming Control Board—Patty Becker—made a motion that, “I don’t care if the Commission overrules me, but I have to vote denial because he was identified by these two female undercover agents.” And then another board member said, “I second it, but I also agree with Patty. I don’t care if the Commission overrides this decision, but I’ll second it.” And then the chairman voted for it, but he came up to me afterward and he said, “Jeez, if you guys would have taken another polygraph test,”—we already took one and passed it—“I would have voted in favor of it.”

So I said, “Jeez, that’s a great deal.” So we went to the Gaming Commission, and obviously got Bobby approved, but it was such a funny thing. One of the interesting parts of it is that in the course of it, the chairman had asked us, because he was a former police officer, to do a polygraph, and he selected the polygrapher. It was a guy that just retired out of Metro. And Bobby said, “Sure, I’ll go down and do it.”

And I said, “Bobby, you want me to pick you up?”

“No.” And the deal was that the chairman’s head of enforcement was a former polygrapher himself, so we worked out the questions. And, you know, on a polygraph it’s yes or no responses that you develop: “Were you there at such a such date? Did you do this?” and it’s a yes or no type question.

And so I took Bobby over to the polygrapher, and he said that we’d worked out the questions already, and gave them to him. And I said, “Bobby, you want me to come in with you?”

And he said, “No, no, I’ll meet you at a conference” we were going to go to later that night. There was a gaming conference in town. So about four o’clock I get this call, and Bobby said, “You need to come down here.”

And I said, “What do you mean?”

And he said, “No, you need to come down here.”

I said, “Well, why?”

And he said, “Just come down here.”

So I went down, and we walk in, and across the wall the polygrapher has taped these charts. One of them is a squiggly line, and another is a squiggly line, and the last one’s a straight one.

And Bobby says, “Ask him what that line is.”

And I said, “What’s that line?”

And he said, “Well, that’s upper respiratory.”

I said, "If that's upper respiratory then you've proven Bobby's dead."

[laughter]

And he said, "Well, he's either a shallow breather or I put it on wrong."

[laughter]

I said, "Oh, God! Oh, no!"

And then he started indicating to me, "Well, I got some real concerns about Bobby's truthfulness."

I said, "You got to be kidding me."

And Bobby said, "Oh, no, no! Ask him about the questions he asked me."

And I said, "Bobby, I don't have to ask him about the questions he asked you. We gave him the questions. Both Chairman Avance's guy and my guy we gave him the questions. We worked out the questions."

"Oh, no, no, no. Ask about it."

I said, "Well, did you ask him the questions we provided you?"

"No, no, no." He said, "Those were just yes or no answers. I like to provoke a response."

I said, "You got to be kidding me."

And Bobby says, "Ask him what the first question was."

And I said, "What's the first question?"

And this incident supposedly took place in Oklahoma City at a place near Eighty-Fourth and Waverly. I'll never forget the address. I said, "What's the first question?"

He said, "My first question was, 'Assume you were at the house at Eighty-First and Waverly. Were you involved in a twenty-one game?'"

[laughter]

[laughter] I mean, "assume something" in the polygraph exam. I just looked and crossed my eyes. I immediately called the chairman. I said, "What in the world did you get us into?!" But that was the squirreliest license I've ever been through, and Bobby got recommended for denial at that level, but the Commission overruled it five-to-zero, and he's gone on to be one of the greatest casino executives in the town. And it was all over an incident that never occurred.

[laughter]

But the really great punchline to all that is that "Racehorse" Haynes, in the federal appeal, because this guy had been on death row at the Oklahoma and the supreme court of Oklahoma twice, denied his appeals so he's on death row for four years. "Racehorse" Haynes developed the information that the D.A. hid and which I think precipitated Bobby's problem in Oklahoma City. The North Carolina state police had given this district attorney the specific description and identity of a former state trooper that was known to be in that area, and one of the guys killed was the boyfriend of his estranged girlfriend, and that the person that did the killing, his MO was silver-tipped bullets, and all of them were killed with

silver-tipped bullets. Also, the guy always wore a red baseball hat, and had a very ashen face, and that description didn't match this poor poker player. At the federal hearing after that evidence was submitted, the federal judge turned to the district attorney, "I don't want there to be a two-hour delay in releasing this man from the state penitentiary. He's been in there long enough," and he was released that day. So Bobby literally, by going down and getting involved in that, saved this man's life. Saved his life. But that's probably the screwiest case I ever had. There were more twists and turns in that licensing than I can even talk about. Bobby and I still joke about it to this day, and we joke about it with Patty [Becker].

It's a great idea to preserve a lot of this information for posterity, because everything changes with time, and this will seem as ancient as some of the stuff I saw when I first got on the Commission thirty years earlier.

Yes. Well, I want to thank you again for giving us your time. And like you say, this will be important somewhere down the line.

Well, it'll be fun for people to listen to, hopefully. I hope I've made it a little entertaining and not just a dry one.

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JACK STRATTON



Jack Stratton was born in 1921 in Elko, Nevada and grew up in Reno, attending Reno High School. After serving in the Navy in World War II, he returned to Reno and worked at several jobs before asking an old family friend, Governor Charles Russell, for help finding a job. Russell sent him to Robbins Cahill, then the head of the State Tax Commission, but soon to be the first chairman of the Gaming Control Board. Cahill hired Stratton as a sales tax representative, and when the Gaming Control Board was created in 1955, he named Stratton the office manager. That was the beginning of a career with the Board that was to last for almost thirty years. Stratton was appointed to the Board by Governor Paul Laxalt in 1969 and when he retired in 1983 he had served on the Board longer than any other member and was one of the first to have been appointed from an entry-level position.

Jack Stratton, 1978. Photo courtesy of Jack Stratton.

Dwayne Kling: Good afternoon. My name is Dwayne Kling. I'm with John Jack Stratton at his home in Carson City, Nevada. This is a first in a series of interviews with Mr. Stratton. It's being conducted in his home in Carson City. Mr. Stratton, does the Oral History Program of the University of Nevada have your permission to make available to the public the tapes and transcripts of the oral histories that we are

about to begin today?

Jack Stratton: Yes.

When and where were you born, Jack?

I was born in Elko, Nevada on December 28, 1921.

Are you married?

Yes. I have been married to Donna Palm since 1992. It is my second marriage. In 1943 I was married to Maxine Wiedmaier, a native of Lovelock. I was in the Navy at the time, and I came home one weekend and we were married shortly before I went overseas. We only had one child, a son, and he passed away in 1993. Maxine passed away in 1987.

How did you happen to come to Reno from Elko?

Well, I was born in Elko, but I was raised on a ranch out in Butte Valley. My father had a ranch there and my mother was a school teacher. There were only five or six of us in the entire school. I completed eight grades of school in Butte Valley and when my father passed away in 1933 I lived with my uncle in Oakland and went to school there for one year.

The next year I moved to Reno and lived with my aunt while I went to school at Reno High. My mom stayed in Butte Valley until she leased out the ranch in 1937 and then she moved to Reno. I finished high school in 1939 but took two or more three courses so I could graduate in June with my class.

When you got out of high school did you go to work, or did you go to the University of Nevada?

Well, I was working most of the time I was in high school as we didn't have a lot of money. My mother had bought a rooming house over on Sixth Street and I turned my check over to her every week. I worked for Western Union delivering telegrams. I rode my bike all over Reno, but of course, Reno was not very big in those days. I would work from three in the afternoon until ten at night.

I did that for a couple of years when I was going to high school and then I went to work for Bill Ramos, who owned the Lake Street Pharmacy. That paid forty dollars a month, which was pretty good pay. [laughter] Then when I went to the university I worked for Bill Ramos at his main store on Second and Virginia Streets as a soda jerk. In addition I worked for the Nevada Meat Packing Company that was down there by Flanigan Warehouse. My job in the afternoon was to load the chutes and then in the evening I had to clean the killing room. I used big hoses to wash down the killing room. There were two or three of us from the university that worked there.

When you enrolled in the university, did you have a specific goal in mind?

I studied agriculture, but I had in mind one day to become a veterinarian. But that went sour; it just didn't come about. I couldn't afford it, for one thing. Shortly after I started the university, World War II broke out. I was working a summer job for the Department of Highways in the summer of 1942 and I

was on a surveying crew in Battle Mountain when I got my notice to report for induction. So I came back to Reno, but I was one day late to report to Salt Lake City for a physical so I joined the Navy and I reported in to active duty in September of 1942.

I went to boot camp in San Diego and then they put [me] in the medical corps school and I did my training at the Mare Island Navy Base. They made me a Pharmacist Mate because I had worked at the Lake Street Pharmacy. I guess they didn't know all I had done there was jerk sodas. After my training I was assigned to the Marine Corps. The Marine Corps doesn't have a medical outfit so the Navy provides that service. I wore the Marine uniform and the whole works.

Where did you go after you completed your training at Mare Island?

I was assigned to what they called an "Aline outfit" at the Tanforan Racetrack near San Mateo. It had been a Japanese internment camp for a while before being converted to a hospital. We were later transferred to San Diego for some more training and then after a few months, across the pond we went.

A troop ship took us to Hawaii and then on to our first operation, the invasion of Saipan and Tinian. After that operation we went back to Hawaii for sixty days of R and R [Rest and Recreation]. Our next operation was the invasion of Iwo Jima. I was there on the first day of the invasion on both Iwo Jima and Saipan.

As medical corpsman did you carry any kind of weapon?

We were issued a fifty caliber carbine and some carried a pistol.

Were you constantly in the front lines all during the engagements?

I was in a hospital unit, so we were just back of the line but some times parts of our unit would go to the front lines if we were losing too many corpsmen. I never got into that; I was always in the operating room handling the instruments and that was quite a job. We didn't have the tools they do now, they were pretty ancient, but we saved a lot of lives.

Were there female nurses there also?

No. All the nurses were male. The female nurses in the Navy were usually in the hospitals here in the states, or were in Honolulu. They were never in the combat area that I know of.

Did you stay on Iwo Jima until the campaign was over?

Yes. We had been schooled for a seventy-two hour operation and I think we were there for twenty-six days. [laughter] It was an experience that you would never want to go through again, but I am kind of proud to have been a part of it. It was exciting sometimes and sometimes it wasn't.

Was it frightening at times, too, or didn't you have time to be frightened?

That's a good answer right there—you didn't have time to be frightened. I will say this: if

anybody says they're not scared when somebody is out there shooting at them, they're a damn liar.

After the battle for Iwo Jima was over, did you remain on the island?

No. I was with a portable unit and we were sent back to Maui to begin training for the invasion of Sasebo, Japan. In fact, we completed training and were on a transport ship in the Marshall Islands, heading for Japan when they dropped the bomb. We thought Truman was the greatest guy in the world. [laughter] Now they are saying that he shouldn't have done it, but he saved the lives of millions of people, not only on our side, but on their side as well. I'll tell you that port city of Sasebo was really fortified. There was a narrow opening into a big bay. It isn't too far from Hiroshima where they dropped the bomb. We landed there after the war was over and we stayed there about a month and I had enough points to go home and there were thirty other guys in my outfit that went back to the states with me. We came home on the troop ship, the U.S.S. Fallon. [laughter] We landed at San Diego and I got my discharge at Camp Shoemaker, near Livermore, California in November of 1945.

What did you do when you returned to Reno?

My wife was working as the night manager of a hospital in San Mateo, so we lived there for six or eight months. I had applied for to the veterinary college at Colorado State University and when I was accepted in September of 1946 we bought a little trailer, first trailer on the road, I think, [laughter] and headed for Colorado. When we got back there they said, "Well, you'll have to wait. There is only room for forty-five students in the college and the state boys have preference."

I said, "Well, how long do I have to wait?"

And he said, "Well, it could be four or five years."

I said, "I'm going home."

I went back to the University of Nevada, and while I was going to school I started working for the Oregon-Nevada-Cal Fast Freight Company. My boss there was Frank North and he used to see that I got plenty of work. I quit the University after I had about eighty credit hours. I just couldn't seem to get what I wanted there, so I decided it was best to quit. I delivered freight around town for quite a while and then my boss said he would see about getting me my own agency. So they sent me to Roseburg, Oregon for two years and then they transferred me to Coos Bay, Oregon which was quite a bit bigger operation, and I was there until 1954. And then I decided I wanted to come back to the sagebrush. [laughter] I got a job with the Ringsby Freight Company. They had an office at Second and Kietzke and they were primarily meat haulers, but they did carry freight from places like Los Angeles to here. I was a dock foreman for them but when the big strike hit in May of 1955 there wasn't any work and I decided I would go to Carson City and look for a job. I knew Governor Russell real well and I also knew Robbins Cahill real well. I stopped to see Charlie Russell first and he sent me down to see Robbins Cahill.

What year was this, Jack?

This was in June of 1955 and Cahill was the head of the Tax Division. The Gaming Control Board hadn't been created yet, so he didn't have anything for me there right at the moment, but he did get me a position as a sales tax representative. My territory was from Brady's Hot Springs to the state line clear up to Denio, Wendover, Ely, and Elko. The sales tax law was to become effective in July of 1955

and it was my job to explain to people how the law would work and how the tax was to be handled.

I used to have meetings in towns like Elko, Wells, Tonopah, Winnemucca, Lovelock and Tonopah and between those towns I would visit any little businesses that needed help. I had a state car and I got a small amount like ten dollars per diem and that didn't even pay for my hotel room, but it was good experience.

It is interesting that you could walk in the Governor's office, say hello and ask him for a job. In how many states could you do that?

You couldn't do it anywhere nowadays. Charles Russell had owned the *Ely Record*, a newspaper in Ely, and he was a good friend of my mother and father. He used to come out to our ranch to go sage hen hunting. I carried sage hens for Charlie Russell when I was only about four or five years old. We went back along ways together. He was a wonderful person.

How did you know Robbins Cahill?

Robbins Cahill had an Associated Garage in Sparks right across from where Ascuaga's Nugget is now. I worked for Bill Zundel who owned the Shell Garage just down the street from Cahill's garage. If we needed something we would run over to Cahill's and vice versa. So that is where I got to know him. That was even before he was an assemblyman.

Well, the job I had with the sales tax division was just part time and when I came back to Carson City in September to turn my car in, I got a message to go see Robbins Cahill, so I went over. Bob says, "How would you like to come to work on the Gaming Board?" So I said, "Well, if I can get a salary that's comparable to what I can make in the freight business, why, I'm interested, yes." Of course, the strike was still on and I went to work for Bob Cahill the next day as office manager for the Gaming Control Board. [laughter]

Well, office manager is a pretty good start. How many people were in the office?

We didn't have too many. There were maybe only fifteen or twenty in the entire organization and that includes both northern and southern Nevada. Now there are four or five hundred. [laughter]

As office manager did you have two or three clerks or secretaries working for you?

Yes. And I did a lot of the investigations by correspondence on individuals at that time. I didn't go out in the field. We had one or two investigators that would do investigating, not locally, but out of town or when they had to go back east or something like that; however, it was not nearly as extensive as it is now.

Did the Control Board have an office in Las Vegas, also?

Yes. In fact you may have heard of Bill Gallagher. He was the office manager here and when he was transferred to Las Vegas, I took his place. He later was appointed to the Board when Newell Hancock resigned.

It sounds like you had a multitude of duties.

Yes, along with my other duties I also presented all the applications to the Tax Commission. [The Tax Commission preceded the Gaming Commission which came into being in 1959 during Governor Grant Sawyer's term.] The first time I took an application before the Commission was about a week after I went to work. [laughter] Scared to death! But it wasn't like it is now; then, unless there was a problem with the applicant, he usually didn't come in for the hearing. The hearings were held in the Governor's office as he was the chairman of the Tax Commission. There were very few press people there and as I said, the applicant usually didn't even come. We (the Board and myself) had to have all the answers.

That has changed now. During Phil Hannifin's term it was made mandatory for the applicant to appear at the hearings. Prior to that if there was a problem with an individual, or the Commission wanted to question him we would call him up and say, "You be here."

Who was on the Control Board when you went to work there as Office Manager in 1955?

Well, Robbins Cahill was the Chairman and the other two board members were Newell Hancock and Bill Sinnott. Newell was an accountant and Bill was a former FBI agent.

I imagine a lot of applications were almost automatic—people requesting a twenty-one game in a bar, or a few slots?

Yes. We'd check them out pretty well as to their background and their finances. That was the big thing, their finances—where was their money coming from? If you didn't know where their money was coming from, you figured, well, it must be coming from a source that doesn't want to be known.

Were you actually a part of the investigative team in your early years with the Board?

Yes, at first, when I was working under Robbins Cahill. He had a couple of other investigators—Art Jewett and George Coffin. They were pretty knowledgeable people and knew how to run an investigation. There were also a couple of enforcement agents out there observing different casinos to see that everything was running smoothly and honestly.

Did all license applications have to go through Carson City? If you were being licensed in Las Vegas, did you still have to come to Carson City?

In the first years of the Board once in a while they'd go to Las Vegas, but it wasn't a routine thing every other month like it is now. Maybe every third month, or something like that, we'd go to Las Vegas for a meeting.

Did you have to go to Las Vegas for the hearings?

Yes, I did. I had to take all the files to Las Vegas and drive down there with no air conditioning in the car. It wasn't too bad. Just roll all the windows down, and away you go. There was no speed limit in

those days. [laughter]

Did you have any other duties?

Yes. In fact, sometimes I would go out with the investigators and enforcement agents and pick up dice and cards in the casinos to see if they were legitimate.

Was your title ever changed?

No, I was always the “office manager,” but now the title has been changed to, I believe, “Applicant Services.” He is responsible for taking applicants and reviewing them to see that they are in order. That’s all.

Were the investigations pretty in-depth even in the early years?

Oh yes. Estes Kefauver, a senator from Tennessee, came to Nevada in 1950 to conduct hearings and he wanted to close gambling worldwide. So it was up to Nevada to either get rid of the bad ones or be threatened with losing gambling all together.

* * * * *

You went to work for the Gaming Control Board in 1955. In what year were you appointed to the Board itself, and who appointed you?

I was appointed to the Board in 1969 by Paul Laxalt, a Republican governor. An opening had been created when Wayne Pearson resigned from the Board. Paul had only a few months left to go on his term and he wasn’t going to run again, so he called me up and says, “Come on up to my office. I want to talk to you about being on the Gaming Control Board.” [laughter]

When I got to his office I said, “Give me a few minutes. I’d like to talk this over with my wife.”

He says, “You’ve got five minutes.” [laughter]

So I went over to his phone and called my wife. She says, “Well, you’re in the gambling business, you might as well take a chance.” So I went to work the next day.

Had anyone else ever been appointed to the Board from an entry-level position?

Yes. Bill Gallagher was the first one and I was the second.

Who was chairman of the Board when you were appointed?

Frank Johnson. He had replaced Alan Abner. When Laxalt left office, Mike O’Callaghan became governor. He appointed Phil Hannifin to take Frank’s place, Shannon Bybee to take Keith Campbell’s place and he kept me on. Phil, of course, was named chairman of the Board.

Did you know Mike O’Callaghan before he ran for governor?

No, I didn't. I'd met him once or twice on his campaign trail, and that's about it.

So, over the years were you appointed to the Board by both Democratic and Republican governors?

Yes.

Was that commonplace, or were most appointments made along party lines?

Well, the Gaming Commission, I think, requires that a Republican governor is supposed to have three Republicans and two Democrats on the Commission and it's the other way around with a Democratic governor. But the Board never had that. In fact, nobody ever asked me what I was. Of course, it's known that I am a Democrat and always have been, but sometimes I wonder. [laughter] I was never a true Democrat and I never voted a straight Democratic ticket in my life. I voted for the individual.

Did you work very long with Frank Johnson?

When I was office manager Frank was the chairman, so I worked with him quite a bit. He was Barron Hilton's cousin and he went to Las Vegas to manage the Hilton down there. I was in contact with Frank quite a bit. I'd known Frank for many, many years, and all of a sudden he was diagnosed as having cancer in his jaw and it went right to his brain. He didn't live very long after that.

So he was a good chairman?

Yes. Frank knew his way around. He had also been a great newspaper columnist for a Reno newspaper before going to work for the Board. He was replaced by Phil Hannifin.

Who were some of the other chairman you worked with?

I later worked for Roger Trounday, and then Richard Bunker. They all had their own ways of accomplishing things, but I never worked for a better bunch of people than those chairmen.

Basically what you are saying is that you worked in harmony.

We sure did. We had some two-to-one votes. Sometimes our ideas did vary and a lot of times I voted on my own. It was just call your own shots. Nobody ever told me what or who to vote for. [laughter]

* * * * *

After Phil Hannifin resigned, Roger Trounday took his position. Had you known Roger prior to that time?

I had known him a little. My brother had gone to high school with him and had played baseball

with him, so I knew Roger through their association. Roger and Phil were both very diplomatic. This was Roger's first shot in gaming, so he was a little cautious going into it. He relied on me quite a lot to help him when he first started, but he soon didn't need a lot of help.

You later worked with Richard Bunker. Was that a harmonious board, also?

There were some little differences there, but I never entered into them. I figured that was their problem. No one was telling each other what to do, as far as approving or denying an application or how to proceed with a hearing, or anything like that.

Was the chairman always the administrative person on the Board?

Yes, the chairman always was the administrator.

Was it his responsibility to see that things such as applications, tax audits, and investigations kept moving smoothly?

Yes. He would oversee things like and he would conduct sessions with the people that worked in our investigative division, the enforcement division and accounting. We would have summaries on the applicants, and after we had reviewed these summaries, we could ask questions of the staff: how they got the information, or explain it a little more and then we were ready to go.

Did the three of you discuss each application privately?

Sometimes we would, but usually it was done at the hearings and you were on your own as to which way you were going to go. [laughter]

Did the three of you ever sit around and discuss the applicant and say, "I am going to vote for—"

No, not as far as voting was concerned. No way! No way, shape, or form.

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To return to the early days of the Gaming Control Board, who replaced Robbins Cahill as chairman of the Board?

He was replaced by Ray Abbaticchio and at about that same time Ned Turner and George Ullom were appointed to the Board.

In 1959 the Nevada Gaming Commission was formed and it replaced the Tax Commission as far as regulating gaming. Miles Pike was the first chairman of the Gaming Commission and the only person that came over to the Gaming Commission from the Tax Commission was Norman Brown from Smith Valley.

Miles Pike, who was a Reno attorney, was only on the Commission for a year or so and then he was replaced by Milton Keefer. I worked with many other commission chairmen over the years.

Did the board members have much of a relationship with commission members? Did you see them other than at the monthly meetings?

I would see them once in a while, or they would call. Sometimes they would have information for you or they might have a question as to what was going on with a particular applicant. A lot of people that had problems would contact a commissioner for help with their application, but they soon found out that didn't work. I used to get a kick out of Mike O'Callaghan. Somebody would call him and say, "I want to come over and talk about a particular situation in my application."

And Mike always said, "Come on in."

Then he would call me or Hannifin or somebody on the Board, and the guy would come in, and Mike would say, "Well, I don't know anything about this, but these two guys will know about it." [laughter] And these guys would just sink. He was quite a guy, that O'Callaghan. He was a very fine governor.

Do you have any special memories of Chairman John (Jack) Diehl?

Jack was appointed by Paul Laxalt. He was a very good chairman. I had gone to the University with him and I really liked him. He was the kind of guy that just kept everything moving, boom, boom. I used to laugh at him. Some attorney would come in to talk for somebody, and Jack always started out, "Now before you get your knees locked in . . ." You could just see the attorney tighten up. Lots of times when an attorney tells a story he will tell the same story two or three different ways, and Jack would always catch him: "We've heard about that. You got anything else?" And that would throw people completely off, but I'll tell you, he was a very sharp individual.

Of course, there were other chairmen that were lawyers, such as Harry Reid, Pete Echeverria, and Carl Dodge. Dodge was also a legislator and I talked to him many times when in he was in the legislature.

Did you ever testify before the legislature?

We did testify on certain bills and legislation. Sometimes they would call you for your opinion of a certain deal, whether it would be good or bad for gaming. And, of course, we had our own budgets and what have you to set before the legislature. Primarily, the chairman would do that, but once in a while I had to go over there myself.

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There was an individual named Frank "Lefty" Rosenthal who was associated with Allen Glick and the Argent Corporation who worked at the Stardust Hotel-Casino for many years. Would you please tell us a little about Mr. Rosenthal?

Well, we knew that "Lefty" had a background in illegal bookmaking and had had some trouble with the law before he came to Las Vegas so we were watching him pretty closely. We called him in for licensing as a key employee and after a very thorough investigation we decided that he was not suitable to be licensed. So then he changed his job title to entertainment director or something like that and he was

supposed to stay away from the gambling end of the business.

Well, one night Roger Trounday and I were walking around in the Stardust and we saw “Lefty” right in the middle of the pit. We just kept walking. After we walked out the front door of the Stardust, Roger says, “I’ll go around and come back through the sports book and you come back in the front door and we’ll see what is going on.” [laughter] It was very interesting. “Lefty” wasn’t there.

So we immediately called him in again to be licensed, because he was not supposed be involved with gaming. I will say that “Lefty” was one of the most knowledgeable persons I have ever known when it came to bookmaking. Of course, he had done that all his life, and one of the reasons we denied him a license was because of him rigging a basketball game on the east coast.

Was he ever accused of being involved in any skimming operations in Las Vegas?

We never really tied him into it, but I’m sure that he was right in the middle of it. We investigated a skimming operation at the Stardust, and a number of people were involved in that, and a number of them were not licensed, but they skipped out before we could get our hands on them.

Were you, or your family, ever threatened by any of the unsavory element that you investigated?

I never was and I never carried a gun for protection. Many times I walked through the casinos in Las Vegas by myself and I thought nothing of it.

There is a book called The List of Excluded Persons, or the “Black Book.” Did the Gaming Control Board play a part in creating that book?

“The Black Book” started during Ray Abbaticchio’s regime. He was an ex-FBI man, and he was dead set on getting his “ten most wanted.” [laughter] So they started this “Black Book,” and I think some of the individuals listed should not have been in there. Of course, I wasn’t a board member at the time.

Did the Board vote on who was included in the book?

The Board recommended, but the final decision was made by the Gaming Commission.

How many people were entered in the first “Black Book”?

There were eleven in the first book. We didn’t put too many in it during my times on the Board.

Was “Lefty” Rosenthal entered in the Black Book?

Yes, he was, but it was after I had left the Board.

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A lady named Mitzi Stauffer Briggs was licensed at the Tropicana Hotel in the seventies. Would you tell us a little about your experience with Mrs. Briggs?

Mitzi Briggs was part of the Stauffer family that owned Stauffer Chemicals. She was licensed at the Tropicana Hotel and made a major investment in the property. It was a mistake for her to do that. She was way over her head. She wasn't knowledgeable about the gambling business, and I am sure that there were people that took advantage of her. She eventually lost just about every dime she ever had. Mrs. Briggs used to write Phil [Hannifin] and I a letter every once in a while, [laughter] but she wasn't criticizing us, she was just seeking advice and help. But there was nothing we could do; we were not in a position to help her operate the Tropicana. She was very confused. She had invested all this money in the Tropicana and she knew nothing about gambling, nothing at all.

She was eventually forced out of the Tropicana when it was discovered that Joe Ergots had made management decisions that allowed funds to be diverted to Kansas City mobsters.

It appears as if there were a lot of skimming activities or diverting of funds during the sixties and seventies, even into the eighties, and that the boards you were on did a great deal to bring that type of activity to an end.

Well, we did do something about them. That is what we were hired to do and it is fortunate we caught so many of them. We did our best to clean things up.

The FBI often became involved in these cases. Did the state of Nevada request the assistance of the FBI?

No, we exchanged information, but we never, to my knowledge, ever directed the FBI to go in and bug somebody, or anything like that. They had a bigger force than we did. [laughter] Once in a while they came up with some good information and then it was up to us to follow through. We had the power to follow through. We could close a casino down, or keep people from working in a casino, whereas the FBI didn't have the authority to do that. In fact, we did close down the Aladdin. Of course, Judge Harry Claiborne got it open again in six hours. [laughter] But we had no problem closing it. Roger [Trounday], [Richard] Bunker and myself were on the Board at that time.

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When did you resign from the Gaming Control Board?

In December of 1982. I had worked twenty-eight years for the state at that time and it was also the end of my four-year term. I had told Governor Bob List in June or July that I planned on retiring. I was sixty-one years old at the time and I had a very sick wife at home.

We were also having a tough time with the Mapes Hotel about that time. I was wrestling with Charlie Mapes about the financing of the property and we wanted to close it, but the judge wouldn't let us. I had a lot to do with the Mapes financing. I was in court nearly every week. That really made me want to retire, [laughter] because I always felt that judges were trying to take over the Gaming Control Board's duties and I wanted no part of it. We were hired to do a job and they were trying to step in. Anyhow, the Mapes was closed for good in December of 1982 just a short time before I left the board.

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In the seventies the Ponderosa Hotel was owned by Larry and Kathy Tripp. Would you tell us about any problems the board had with the Tripps?

Well, they both owned the Ponderosa, but Larry was pretty old at the time and he was involved in other activities, like construction and what have you, and he didn't get involved much in the daily operation. We had a lot of problems with Kathy's record-keeping; we could never get her squared around as to keeping records properly. I was always over there with an auditor. [laughter] She used to come in the office crying every once in a while about how we were crucifying her, and we weren't. We were really trying to help her get the hotel-casino in order. She was careless, she just didn't want to comply with record keeping regulations.

We finally issued her an ultimatum: "Get this thing in order, or we are going to get you out of here." We gave her a year to get things straightened out, but when she didn't do it, we closed the casino part of the hotel. She tried to run the hotel and restaurant part of it, but that didn't last long.

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What were some of the changes that occurred in gaming industry during your time on the Board?

The corporations coming in. In 1969 corporations were OK'd by the Gaming Control Board, but it wasn't until late in the seventies that many corporations were licensed. Prior to that it was all individuals or small corporations where you could license every individual in the corporation. It was, of course, impossible to license every one in the big corporations, so a law was set up for licensing key employees and persons owning five percent or more, or the ones who were active in the operation. We also licensed all the officers in the operation. It complicated licensing quite a bit, but the corporations created a source of funds. Before that, the banks didn't loan that much money. That is how the Teamsters Union was able to get involved in casinos when the casinos couldn't get loans from banks.

The banks were hesitant to loan money to casinos?

Most of them were. Perry Thomas from the Bank of Las Vegas loaned a lot of money to casinos, and to my knowledge he did all right with those loans, but he could only loan so much. One of the main reasons the legislature OK'd corporate gaming was so that casinos didn't have to go to the unions for loans.

Was Governor Paul Laxalt instrumental in getting that bill passed?

Yes, he was. Also, Jack Diehl, Wayne Pearson and Keith Campbell were helpful. Our attorney, Don Winne, rode that bill through the legislature and he was a big help. He had been an agent for the FBI, but he left the FBI to come to work for the state. The bill was a lifesaver for the gaming industry because it didn't have to rely on the unions anymore. Teamster money had got us into a whole lot of trouble.

Were you on the board when Howard Hughes got his first license?

Yes, I was there. He was first licensed at the Desert Inn and then, shortly after, he bought the Frontier, which was right across the street. The word was that the sign on the Frontier was bothering him, and they wouldn't turn it off, so he bought the property. [laughter] Before it was over he had purchased eight or ten casinos.

Did anyone ever have any concerns that he was buying too many casinos and that he would control the gaming in Las Vegas?

Oh, we were concerned, but at that time it was kind of a necessary thing. We needed to keep those places going for the good of the economy of the state. He also presented a good clean image for the state at a time when we did have an image problem.

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After you left the Board, did you retire completely?

I did work one year for Pete Cladianos, on the board of directors of the Sands Regency Hotel. The company was going public and he needed an outside director. He called to ask me if I would be interested and I said, "Well, I'll handle it for a year." There wasn't an awful lot to it. We would meet every once in a while and discuss certain situations. We had a shareholders meeting at the end of the year and that was it for me. I was re-elected for another term, but I advised them that I just couldn't handle it. That was the time I was really having a hard time with my wife and her cancer. I needed to spend a lot of time with her, so I just dropped out. That was my last contact with gaming.

Is there anyone that you worked with on the Board that you keep in contact with?

Just Phil Hannifin and Roger Trounday. In fact, I have to get a hold of Roger and go to lunch one of these days. [laughter] He called the other day and wanted me and Hannifin to get together for lunch. I also keep in touch with Bud Hicks; he was the Board's attorney.

If you had it to do over again, would you?

I sure would. There was something new every day and it was never boring. You met all kinds of people, both good and bad, and the job kept you on your toes. We had some very good licensees, and we had a few bad ones that we had to do something about, and we did—that was our job.

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ROGER TROUNDAY



Roger Trounday was born in Reno, Nevada in 1934 and graduated from Reno High, earning bachelor's and master's degrees from the University of Nevada, Reno. He then worked in several Reno schools as a teacher and administrator. In 1971, Governor-elect Mike O'Callaghan appointed him to direct the Department of Human Resources and, six years later, to chair the Gaming Control Board. Serving from 1977 to 1979, Trounday resigned after disagreements with then-Governor Robert List and board member Richard Bunker during the sale of the Argent Corporation's properties to Al Sachs and Herb Tobman. Trounday's frank and revealing revelations provide us with an insider's look into an unpleasant episode of gaming regulation history. Following his resignation from the Board, Trounday worked in management at Caesars Tahoe, and later as operations officer for John Ascuaga's Nugget for fourteen years. He retired in 2001.

Roger Trounday, ca. 1978. Photo courtesy of Roger Trounday.

Dwayne Kling: Good afternoon. My name is Dwayne Kling. I'm with the Oral History Program of the University of Nevada. Today is October 30, 2002. I'm with Roger Trounday, and we're at my home in Reno, Nevada. Roger, does the Oral History Program of the University of Nevada have your permission to go ahead with the tapes and transcriptions that we are about to begin today?

Roger Trounday: Yes, they do.

Thank you, Roger. I'll start out by asking you when and where were you born?

I was born in Reno, Nevada, on March 18, 1934.

What schools did you attend in Reno?

I started at the Catholic schools at St. Thomas Aquinas, and then in the third grade I went to Mary S. Doten for over three years before transferring to Orvis Ring, where I finished my elementary schooling. I went to junior high school at Northside Junior High School, which was then in downtown Reno, and then went to Reno High School. When I started there, the school was on Fourth Street. It later became a junior high school when they built the new Reno High School on Booth Street.

Did you finish high school when it was located on Fourth Street?

No, I was a part of the first class that graduated from the new Reno High School on Booth Street.

Did you go on to college after graduating from Reno High?

Yes. I went to the University of Nevada, Reno, and got a bachelor's degree in education and later a master's degree in education and public administration.

Did you receive a scholarship to go to the University?

I got what was known in those days as the Harolds Club Scholarship, which was probably the premier scholarship that was given out in Nevada at that time. There were only seventeen high schools in the state, one in each county, and basically the Smith family gave a scholarship to each of the high schools in the state, and I was the recipient of one of them when I graduated from Reno High School.

What year did you graduate from the University of Nevada?

I graduated in 1956 with my bachelor's degree, and then got my master's degree in 1965.

What were some of the activities you participated in while you were at the university?

I played both basketball and baseball at the university. I lettered four years in baseball and three years in basketball, and my coach for both sports was Jake Lawlor.

Are you married, Roger, and do you have children?

Yes, I'm married to Gail Altenburg. She is from Carson City and we've been married forty-six years. We have three children: a son Steve, a daughter Susan, and a daughter Catherine. Susan and Steve live here in Reno. Our daughter, Catherine, lives in Winnemucca. Her husband's a veterinarian there, and he's from a long-time ranching family.

Where was your first position when you got out of college?

My first teaching job was at Central Junior High School, which was the old Reno High that was on Fourth Street. I taught there for three years—well, two years teaching, one year as a counselor. Then my fourth year I decided I wanted to become an administrator, so I thought I'd better get some elementary school experience. I taught at Peavine Elementary School for one year, and then the next year I became the principal of Florence Drake Elementary in Sparks. I started that school from the ground up, and I was there for eight years. Then I went to Hug High School as a vice-principal.

Was that your last teaching and administrative job?

Yes.

Why did you leave the education field to go to work for the State of Nevada?

Some friends of mine in town asked me to meet them in their office, where they asked me if I would be willing to talk to Governor-Elect Mike O'Callaghan about working in his administration. I had never met the man, but I said, "Sure, I'd be happy to meet with him." So a few days later they came by and picked me up and we went to a basketball game at Manogue High School, where Governor O'Callaghan's son was playing on the junior varsity team. At halftime we went in one of the classrooms and we visited and talked. He wanted me to be an aide on his staff. I later called him and told him I wasn't interested in going into politics as such; he then asked me to become the director of the Department of Human Resources. He asked me to come to Carson, so I did and I met with him and the then Lieutenant Governor-Elect Harry Reid. I then agreed to become the director of the Department of Human Resources, which at that time entailed welfare, mental health, and mental retardation, services to the blind, all youth institutions, the health department, and environmental health. It was the largest department, as far as employees were concerned, in the state.

Who were the people that recommended you to Mr. O'Callaghan?

They were Don Carano, Bob McDonald, and Spike Wilson, who were attorneys, and Ed Fuetsch, who was more of a real estate man as opposed to an attorney. Those were the four that I met with, and Ed Fuetsch is the one that took me to the basketball game and introduced me to O'Callaghan.

Evidently, their opinion was highly thought of by Governor O'Callaghan.

Apparently so. They had also helped him with his campaign. O'Callaghan also called Pete Echeverria, who was a good friend of mine, for some follow-up, and Pete gave me a good recommendation. I'd known Pete for many, many years.

How long did you stay with the human resources department?

I had been the director of the Department of Human Resources for six and a half years when

Governor O'Callaghan called me and asked me to come to his office. He told me that Phil Hannifin was not feeling well and was going to have to leave his position as the chairman of the Gaming Control Board. He then asked me if I'd be interested in being named to the Board. He wanted me to go over only if I was interested. He wasn't going to force me to go, but he said, "I'd like you to take the position," so I told him that I would.

Was Mr. Hannifin's resignation a surprise to the gaming industry, and to Governor O'Callaghan?

Well, yes, I think it was. There were several people that knew he had not been in good health, because he'd been in pretty bad health for a while, but it finally got to the point where he was really getting quite ill and was losing consciousness and passing out at times. So he decided it would be best if he stepped away from the pressure that comes with that particular position. While people knew he was ill, they didn't realize that he was as ill as he was and that he would ultimately have to resign from the position.

Had you ever had any experience working in the gaming industry?

No. No, I never had. But the only qualification that O'Callaghan wanted from me was honesty. He said, "I just want somebody that will do a good job and that will be honest." He felt I'd proven myself as an administrator in running a department as large and as vast as the Department of Human Resources. What he wanted was an administrator to run the Gaming Control Board and carry it forward. The knowledge of the gaming side of it per se was something that he said I could learn from staff members. I would have to rely on them and learn it the best way I could.

Did you have any difficulty becoming familiar with the gaming business and its regulatory statutes?

No, although I spent quite a bit of time studying it. It's not an easy task to be able to take an entire N.R.S. section and learn it and spend time on it, particularly when you don't have a lot of personal background in it. But once I got into it and started reviewing some of the cases and studying the law and that sort of thing, then I gradually picked it up and I got into it quite well. At that point the two colleagues I had on the Gaming Control Board were Jeff Silver and Jack Stratton, and I just think the world of both of those men. I think their talents and their honesty were impeccable and they were a *great* help to me.

Did you get any assistance from the attorney general or deputy attorney generals?

The chief deputy attorney general assigned to gaming at that time was Bud Hicks. Bud, who was an outstanding attorney, had done a great deal of work with the Gaming Control Board during Phil Hannifin's reign, and he was a big help. I enjoyed working with him very much. He's a very knowledgeable and straightforward guy. I really enjoy that. He was probably the biggest help I had in the initial transition period.

Did Governor O'Callaghan ever interfere with or get involved with the business of the Gaming Board?

He never called me on a gaming issue. When I was the director of Department of Human

Resources he would call me at various times to ask about something that was going on at a certain hospital or mental health program or a youth institution program. But after I became chairman of the Gaming Control Board, he never called me once to come over and discuss anything with him. I did go to him with one issue, however. I took it to his attention when I was first going through the files, but that was something I took to him; it wasn't anything that he called me on. He would always tell people that would ask him for an appointment about gaming issues, "I've got a commission and a gaming control board and I let them do their business." He never did get involved in any of our issues.

That speaks very highly of him.

It does. The only time he would get involved was when there was a state policy gaming board meeting. He chairs that board that's made up of people in the industry and regulators, both the Commission and the Gaming Control Board. We would meet once or twice a year to discuss gaming policy and some of the things that needed to be done. That was the only direct involvement that I ever experienced from Governor O'Callaghan.

Was that true of all governors, or did you have a different experience with other governors?

I had a different experience with Governor List. Governor List was on the phone a great deal with me after he was elected governor, and his involvement with gaming issues was much more active. It eventually got to a difficult point in my chairmanship when he started bypassing me to go directly to the Las Vegas board member, Richard Bunker. He was cutting me out of the loop, because some of the things that they wanted to do I just didn't think were right. He started bypassing me consistently as the term went along.

Roger, let's discuss that situation more in depth later on in the interview when we get into another licensing situation.

During your tenure were there situations where the casino operators felt that the Gaming Control Board was their adversary?

Yes. I think there was *some* feeling from some properties that the Gaming Control Board was their adversary. I don't know all the history of the Gaming Control Boards that were prior to when I was there, but I do know that the Gaming Control Board that was chaired by Phil Hannifin was very active. Also, their accounting department and the enforcement department became *very* active in the business, much more so than they had been previously, by passing new accounting regulations and making it much more difficult to do some of the things that had taken place previously. That created more of an adversarial situation, not in the sense that they were constantly at each other, because no matter how you look at it, as a Gaming Control Board member you are not only a regulator, but you're also a partner, because the taxes that you collect belong to the state.

You can't be so heavy-handed with gaming regulations that you get to the point where it hurts the industry, because the state is very dependent on that revenue. There's a fine line that you have to walk, because if you don't have a good regulatory scheme, then you don't have a good industry. That's the scheme that the Hannifin regime came up with, and we continued to follow it up. So there was some adversarial feeling when we started pushing regulations and having hearings on regulations that we were

going to put forward. There were people that thought we were going to kill the industry as we were constantly pushing new regulations to try and tighten up some of the loopholes that we had recognized, but not to the point where we snuffed out the industry at the same time. So, yes, there were some adversarial feelings at times between some members of the industry and the board.

Did you try to establish a better working relationship between the operators and the Board?

Yes. We started having more public meetings where we would *propose* a regulation, and we had public hearings where we would allow the industry to make comments about our proposed regulations so that they would have some input into them. Then we would draft up the final regulation and present it to the Commission, and that is when they would have to make their decision. They would hear our presentation of what we wanted in a regulation and hear if the industry felt that we were going too far. It was at that public hearing the regulation would become a final act and a true regulation if the Commission voted for it.

Did a lot of casinos and a lot of operators realize that without a good regulatory system their business couldn't exist?

Very many did. Because at that time Nevada casino operators were at a point where they could not get financing for expansion and the development of their casinos, because the banks were very reluctant to put money into casinos, and neither would the insurance companies. Casinos had not really gone into the public sector as publicly-traded companies to any great extent because of the distrust of the people at the SEC—and other public sectors—about the gaming industry. We recognized, and many casinos recognized, that we needed to have a high degree of credibility. We had to show that the industry was regulated and controlled and that we had gotten the undesirable elements out of the industry. We had to show we were getting the mob out of the industry so that we could go out and encourage financing to come in in order to expand and develop new casinos. We did have a good deal of support from *many* of the people in the industry because they recognized that the only way they were going to be able to grow and develop their properties was if they could get public money. At that time that source of revenue wasn't available to them because the financial world was afraid of the gaming industry's involvement with the mob and other unsavory elements in the state.

I've heard Bill Harrah was a staunch advocate of gaming regulation.

Very much so. He was one of the real strong advocates of gaming regulations. Jackie Gaughan in Las Vegas was a real proponent of pushing for stronger regulations. John Ascuaga was a big proponent of pushing regulations, but Bill Harrah certainly was one of the leaders in pushing for strong regulations. There was a lot of support from the industry as a whole to support what we were trying to do: setting up some regulations so that we could honestly go to the business community and say, "Hey, we are a highly-regulated and a legitimate business."

If I understood you correctly, you believe that the entire philosophy of the Gaming Control Board started to change during Phil Hannifin's reign, and you continued that philosophy during your tenure.

Yes, it started with Governor O'Callaghan. He wanted to follow up on what he thought the previous governors had done. Grant Sawyer certainly got the system well on its way and Governor Laxalt had taken another step toward getting some things done. But when O'Callaghan came in he made it a priority that he was not going to allow gaming to just drift along without some very strong regulatory schemes. The push that we got as his appointee was that he wanted a strong regulatory system to control the gaming industry. Phil Hannifin was his first appointee, and when Phil got ill, I was his next appointee, and we carried it through. O'Callaghan wanted tighter regulations. He disagreed with previous governors about how Howard Hughes was licensed. We have a policy, not a regulation, that any licensee who wants a license *must* appear in person when he gets licensed before the Commission, but Howard Hughes was never required to appear in person. Governor O'Callaghan disagreed with that and said he personally wanted to see Howard Hughes—to see that he was alive, to see that he was in control, and that he had the mental capability to be able to control, because at that point he owned quite a few casinos. I don't know how many casinos were under his control at that time, but a good number of them, and he was growing all the time. When O'Callaghan took office he stated that he personally wanted to know that Howard Hughes was in fact living, in control of his faculties and able to control the dynasty he'd built in Las Vegas. That was when O'Callaghan and Phil Hannifin went to London and met with Howard Hughes privately.

Do you feel that Governor Paul Laxalt was perhaps a little lax in not demanding Hughes to appear, or do you feel that Mr. Laxalt felt it was more important to get a good clean image into the gaming business?

Well, I think he was caught on the horns of that particular dilemma you just described. He wanted him in because he obviously brought in the image of a legitimate, well-known, respected businessman to the community as opposed to the image that only gangsters were involved in gaming. Governor Laxalt obviously had to let policies slide and to say that he would let Hughes go ahead. But when O'Callaghan came in he just felt that it had to be settled permanently and take some steps toward closing some of the loopholes.

It worked out OK because Laxalt did allow him to come in, and then Mike O'Callaghan steps in and locks the door and makes sure that he is a real person and that he was in fact in control. The concern everyone had was, "Who is in fact running the Hughes's empire?" Was he in fact in control? Were his mental capabilities such that he was in charge, or was he just a shadow of his former self? Laxalt got Hughes in there without having the lid closed, but O'Callaghan came in, closed the lid and said yes. He felt comfortable that Hughes in fact *was* the man in charge.

It goes back to the problem that they were having in the gaming industry of not being able to get public money to put into the business in order to expand and do the things they wanted. Hughes brought that money and he brought the reputation of a legitimate businessman, which opened up the avenues to banks and investment bankers. When you start getting a legitimate businessman like Howard Hughes to come into the industry, it makes it a different environment completely.

You were a chairman during an especially troublesome time with casino scandals happening in the Tropicana, the Aladdin, and the Argent's four properties: the Stardust, the Marina, the Hacienda, and the Fremont. Let's talk about the Tropicana for a while. In September of 1977, shortly after you became chairman, a millionaire oil man from Whittier, California, Jack Urich, wanted to loan the Tropicana Hotel 1.5 million dollars. Would you tell us about that request and the Board's decision on that matter?

Well, the Tropicana was a troubled property. There was always suspicion that their money was going out the back door and that an undesirable element was taking money out of it. There was an uneasiness about the Tropicana *and* its financial condition. Then Mitzi Stauffer [Briggs] came in and put a considerable amount of her own personal money into the operation; she was just pouring money in there. She had no experience in gaming, and the gaming control people felt like that she was just pouring money in there not knowing really what she was doing. Well, at that time the gaming control people started spending quite a bit of time at the Tropicana, and discovered there were not enough funds there to meet the bankroll requirements. Urich came along at that point, and no one knows who made the initial contact with him, whether it was Mitzi Briggs or whether it was other members of management; however, he did want to put money into the operation. We found out later that he had previously put some money into the operation without our approval, which is illegal. And when we held the hearing on his request to loan money, we found enough things that were undesirable as far as his business competence, that we did not support his request.

Another member of that organization was a gentleman by the name of Deil Gustafson, who was a real estate man from the Minneapolis area who had made quite a reputation for himself in many big real estate dealings. He was also a guy that—I won't say that he was *crooked*—would always cut corners on his business deals, and so we never looked at him as a real viable person to come in and run the business. We also didn't know how he appeared on the scene. These people with money just kept showing up and putting money into it, and we didn't know where they were coming from. Who had made the initial contacts? Who was running the Tropicana? And, of course, we always felt that Joe Agosto⁹ was the mob's representative in there. He never got any publicity of any kind, and was pretty much a guy that played in the background, but we felt very sure that he was the guy that was pushing the buttons for the mob in that operation. Although he said that he was not involved in the gaming, he was involved in the *Folies Bergère* show there and he was the man that we suspected all along was running the operation.

To get back to Urich, after the Gaming Board recommended denial for the loan that Urich wanted to make to the Tropicana, did the Commission agree?

When our recommendation went to the Commission they overturned us on a three-to-two vote, which is not the way a recommendation from the Gaming Control Board is overturned by law or by regulation. By law it must be a unanimous vote of the Commission. But the chairman [Harry Reid] said at that time that it was an emergency situation and the loan had to be okayed in order to keep the facility open. So based on what the chairman felt was an emergency at the casino, he was going to allow a three-to-two vote to go through. At that point I felt that we needed to try and protect the integrity of the gaming regulation, and so I asked for some clarification from the attorney general's office as to what constitutes an "emergency." The attorney general felt that this situation was not that much of an emergency per se, and fell back on the definition of emergency. It was discussed that at the next session of the legislature it would have to be addressed as to what an emergency actually is. So we had a disagreement between the Board and the Commission. We felt that it was not an emergency; they did. It should have taken a five-to-zero vote to overturn us, but a three-to-two vote did go through and the money did go into the operation. Subsequent to that, we called Mr. Urich in for licensing, as he wanted to come in as a fifty percent owner of the operation. At that time we did a full-fledged investigation on him, conducted our hearing, and we

⁹ Agosto was entered in the "Black Book" in 1979.

recommended denial. That denial was upheld by the Commission and Mr. Urich was not allowed to come into the operation.

You mentioned earlier that the two major owners of the Tropicana at that time were Mitzi Briggs and Deil Gustafson, but that Joe Agosto was controlling the operation. Did the Board eventually call Mr. Agosto up for licensing?

Yes, we did, and it became a *major* problem trying to get him to come forward for licensing. He consistently held the fact that he was not involved in gaming, he was involved in other parts of the operation, whether it be the *Folies Bergère*, the food and beverage operation, or whatever it might be. We had to go through quite a bit before getting him to come in and put in his application for licensing. It became pretty much of an all-out effort. We didn't have any substantial proof of his involvement in the operation until at one point we heard a tape that the U.S. Attorney's office brought into our Las Vegas office. Jeff Silver [fellow board member] and I listened to the tape that the attorney general brought in, and it was Joe Agosto talking to the Civella brothers [Carl and Nick], along with a businessman in Las Vegas by the name of Carl Thomas, who at that time was manager of the Bingo Palace [later to become Palace Station]. They were sitting in a restaurant in Kansas City talking about how to rip off the count room of a gaming operation.

Did this come up while Agosto was being investigated for his application?

It was while we were trying to call him up for licensing. Long after we had said to him, "You must come forward for licensing," he and his attorneys were arguing with us that he did not have to come in for licensing. It was during that process that the U.S. attorney came in and brought this tape to us. We soon initiated a joint operation between the Gaming Control Board and the FBI. The FBI had never worked hand-in-hand very much with the Gaming Control Board, but on this one instance Jim Powers, who was the head of the FBI in Nevada, called me and asked me if I could come to Las Vegas and meet with him, and I did. He then asked if we could have a member of our Gaming Control Board accounting staff, who was very familiar with the cage operation there, be involved in a hit that they were going to make at the cage at the Tropicana. I assigned a Gaming Control Board agent, George Tsacayonis, who was the head of our accounting and audit department. His assignment was to work with the FBI agents when they went in and took over the cage. He had just headed up the audit that was done at the Tropicana and was very familiar with the process and the procedures that the operation followed, and he knew where they kept all of their transaction forms and that sort of thing. George and I were the only two who knew of our involvement in the operation. I didn't include other board members and I didn't include other staff members. It was just the two of us, and George met privately with the FBI on what his role was to be. The Civella group had a courier who had left Kansas City to come to Las Vegas. He then had gone to the Tropicana, picked up some money, put it in a briefcase and then gone back to the airport. The minute that the airplane was airborne the FBI and George went in and seized the cage and attached *all* of the records. The FBI in Kansas City arrested the courier as he got off the plane with the money that was in the briefcase. It took years before that case came to trial and before the Civellas were finally convicted. But it all came about because of a working relationship that I personally had with Jim Powers. The FBI and gaming had never really worked together very well in the past, and the FBI seldom got involved with us.

How much did that fellow have in his briefcase when he got off the plane?

I may have been told, but I don't recall how much actual cash he had in the briefcase.

Did the FBI take the money back to the Tropicana, or what happened to it?

Whatever transpired there in the U.S. Attorney's office as to how they were going to take care of that, we weren't involved in. I don't recall if Bud Hicks, our attorney general at that time, was involved with the U.S. Attorney's office, but we had no further dealings with it.

Was Agosto eventually forced out of the Tropicana?

Yes, when we got started getting all this information then, we were able to get Joe Agosto out of the operation at the Tropicana.

During Agosto's investigation he stated in a taped conversation that he had control over a member of the Nevada Gaming Commission. Would you tell us your recollections of that incident?

Mr. Agosto made reference to the fact that he had a man he called "Clean Face" as someone that he could control, and Clean Face represented Harry Reid, who was the chairman of the Commission. I think the reason he made that inference was because Harry Reid was a law partner with an attorney by the name of Jay Brown, and Jay Brown represented Joe Agosto. But when Harry Reid became chairman of the Gaming Commission they separated their law practice. Harry Reid went out on his own and Jay Brown stayed. But the reference was made, however, that, "Don't worry, we've got Clean Face and we're able to control him."

Was Harry Reid eventually cleared of any wrongdoing?

Yes. The FBI and the U.S. Attorney's office followed up on the accusation, and they determined that it was just a bragging statement that Joe Agosto had made and that there was no substance to the fact that Reid could be controlled.

Was Mr. Agosto eventually entered into the "Black Book?"

Yes, he was. We had a hearing and did introduce him into membership in the "Black Book" club.

What became of the Tropicana owners, Briggs and Gustafson?

They got out when the two Doumani brothers bought the property. But we were never comfortable with the Doumani brothers, either. The Tropicana never really got in a strong position; they were always struggling to make it. They were constantly fighting the fact that they couldn't keep their bankroll up, and it was always a struggling property. When the two Doumani brothers wanted to come in we were not comfortable with them as operators; however, we could not find any reason to deny them.

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The Aladdin also had a long history of regulatory problems prior to and even after your tenure. Would you give us a little background on some of the Aladdin's problems?

Yes, my best recollection on the Aladdin is that the Gaming Control Board under Phil Hannifin felt pretty certain that there was mob influence in the operation of the Aladdin, and there were several people that were the mob's representatives in the Aladdin. Sorkis Webbe, Richard Daley, and James Tamer were people that were all affiliated one way or another with the mob, and the Board felt very uncomfortable that they were in there. The Board started the process of trying to zero in on them and get them to the point where they were no longer involved in the gaming operation. The first move that we had to make on that was to call those people in for licensing. When we called James Tamer in for licensing, that created quite a stir, because he said he had no part of the gaming operation, that he was the man that dealt with entertainment and some other things. They had a big theater there called The Aladdin Theatre for the Performing Arts. The theater had become quite a scandal because it had had a *huge* construction cost overrun. The Board felt like the construction company also had some mob ties, so that whole thing was very murky and muddy. When we started bringing those individuals up for licensing, we eventually got to the point where we had to go in and take over the operation of the Aladdin. We put our man, Leo Lewis, in there to run the operation during this interim period while we were trying to get new ownership to come in and take over the Aladdin. Subsequently while Leo was running that operation, we again called Tamer in for licensing and found him to be an undesirable person. We also had a hearing where we announced that we were not getting any cooperation from the current ownership of the Aladdin in their effort to find new owners to come in and replace them as they had been ordered to do. We wanted to shut the place down, "we" being the Gaming Control Board, but we needed the approval of the Commission.

We had scheduled a hearing before the Commission, but we were not certain they would support our recommendation. We called in our department heads and our various division chiefs, because we would have to use every gaming agent we had available, both from the north and the south if we went in to close it. The only people that we brought into the planning meeting were, however, our division chiefs, and we said, "We *cannot* let the information leak out that we are trying to close this place, because if we do it will create a real problem." After we laid out our attack on how we were going to conduct the closing of the Aladdin, we had our chiefs put all of the agents into busses and had them riding around in busses while we conducted the hearing. We were afraid one of our agents might leak something about, "Well, we're going to go down and close the Aladdin." The minute we got the vote from the Gaming Commission that said yes, they were going to support our recommendation for closure, we radioed our chiefs who were riding in those busses and told them to go in and seize the operation. And they did. Our man, Leo Lewis, who was the general manager, was not aware of what we were going to do. When he came up to me after the vote he said, "What's happening now?"

I said, "Leo, we're already doing it. We're closing your place down right now." He took off and went down to the Aladdin. Then the Gaming Control Board with Ray Pike, who at that time was our deputy attorney general, went to the Aladdin and went up to the executive offices. Then the four of us, three board members and the deputy attorney general, got to the front door, but only two people went into Sorkis Webbe's office. Ray Pike, who was the deputy A.G. [attorney general], and I went in and told Sorkis Webbe that we were downstairs closing his place. And the man lost it, he started frothing at the mouth. We got some water for him and told him to "Back off. Cool it." I don't know what he thought was

going to happen to him personally, but he literally fell apart. We then closed the operation down. We had our gaming agents go in and seize the cage, we sealed off all the slot machines, took all the banks off the tables, and started taking money out of the slot machines, and putting it in the cage. We let the hotel operation and the food operations continue, but the gaming was closed down.

How long did it stay down?

Only for twenty-four hours, because we got a restraining order from Judge Harry Claiborne telling us that we could not close it down, and so we had to open it up again. We told Leo to go back in there and run it, and we went through the process then of getting the current owners out of the Aladdin.

Did Sorkis Webbe go back into his office?

No, we had he and his people vacate the property. The man who was functioning as the general manager was a gaming man with a pretty good reputation so he stayed on as the general manager, but Leo Lewis called all the shots. There were a lot of people in Las Vegas that came to this man's defense, stating that he was a good man, and that he was not involved with Webbe and the others. Eventually he was cleared and was allowed to continue working in the industry. But for several years he was not able to work in the industry because of his associations. We felt that he *knew* who was running that place, and these people were not people that were licensed to be operators. He should not have been listening to them.

After Harry Claiborne ruled that the Aladdin must be reopened, was his decision contested by anyone?

Yes, we contested it, but at the same time we felt that we had gotten our point across that we wanted these people out, and we would go so far as to close the place if necessary. However, we were aware we were putting a lot of people out of work by closing it, so we allowed it to continue operating under the control of Leo Lewis and try and get new owners in there to clean out the people that were no longer wanted in the state. When we closed the Aladdin it was a decision we thought about long and hard. But the current owners and operators were not trying to find an owner, and so we just wanted to get our point across. We felt we had reached the point where tax revenue and jobs became secondary to the fact that we had to exert the authority of the Gaming Control Board because of the bigger picture. What we were trying to do was tell the world, the business community and the banking community, that we do, in fact, control gaming in Nevada. It's not run by whoever wants to run it. We were caught in the throes of trying to still meet that goal of letting the world know that gaming was being controlled in Nevada, and still protecting jobs and revenue for the state. When we felt we'd been pushed to the point where we had no choice, we *had* to shut them down in order to get our point across. And it worked.

Who eventually purchased the Aladdin?

Ed Torres. He formed a partnership with entertainer Wayne Newton, and they came in and bought the Aladdin in order to keep it going and to get the unsavory element out of there. Later that relationship really got quite ugly, but that is another matter. But as far as who got the undesirable people out, it was Ed Torres and Wayne Newton.

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In 1978 several major hotel-casinos, including the MGM, Circus Circus, and Sahara Reno, opened in Reno. Did so many casino openings in such a short period of time present a workload problem for the staff of the Gaming Control Board?

Yes, we had to pull people from some of the other departments in order to conduct investigations of the gaming people. Now, one advantage we had was that many of the people that went to work at the MGM and some of the other properties had worked in the industry before, so they were not newcomers to us. We had some recollection of who they were and had some knowledge of their backgrounds. It wasn't like we had to go chasing these candidates all across the country, or even internationally, as you do with some applicants. Most people that went to work in management positions at those expanded casinos were people that were already in the industry here in Nevada. And so the investigation wasn't as complex as some of them get to be. It was all done pretty much right here within the state.

And, of course, most of the new properties were already operating casinos in Las Vegas.

Yes. And when you have people like Glen Neely and Jack Pieper, people that have been in the industry for many years, and have always had good reputations, it makes it easier. There never had been any cause of concern for their backgrounds or their associations. And so the investigations, while they did go through them, and did all the financial backgrounds and all that, it wasn't like the Urich investigation that we mentioned earlier. I mean, we had to chase this guy all over the world. He had business dealings all over.

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In May of 1978 there was another problem, the Argent Corporation. The Board filed a complaint stating that half a million dollars had been siphoned from the race and sportsbook of the Stardust and Fremont Hotels. What rulings did the Commission make on this case?

We immediately took our case to the Commission. Now, the difference between this and a licensing situation is that in a licensing we conduct a hearing, a full-blown hearing, and we come to a decision, on the licensing of an individual, and that goes forward as a recommendation to the Commission. To overturn our recommendation takes a unanimous vote of the Commission. So it has to be a five-zero vote. In this case we had no hearing prior to this. We were taking the Commission a *violation*. We had found this operation to be in violation so, therefore, we were taking to the Commission things that we were finding where no paper trail existed that could tie up all the loose ends. That looseness caused us to feel that there were five hundred thousand dollars that was unaccounted for.

When we made our presentation to the Commission they did not unanimously vote in our favor. They did impose a fine on them, but we were looking for them to close the operation down. We were that concerned about it, because Nevada was fairly new in the race and sports business at that time, and we knew the federal government and the federal agencies were looking at us very carefully to see how we were conducting operations in Nevada. We felt this was such a major violation that we needed to take it to

the Commission. We were *very* disappointed when they turned us down three-to-two.

But it forced us to then go back and strengthen the regulations that we had in place, because we could see that there were some loopholes that we needed to close. We held some workshops around the state where we allowed the operators to come in and react to the regulations that we had drafted to see what we should do to strengthen the race and sportsbook regulations in Nevada. We didn't want to have any future problems of this nature. Those hearings were very productive. Some of the operators were very helpful to us. They knew that they had a good thing going by being able to operate legitimately in Nevada, and they were very helpful to us as we were developing new regulations to govern the race and sportsbooks in Nevada. We then took the improved version of the regulations to the Commission and it was approved. So while we were very upset about the fact we lost this violation case—and we felt very strongly we were right and that they had taken the money—it did serve a purpose in the fact that it helped us strengthen our regulations and made race and sportsbooks a legitimate operation in Nevada. We now felt we could control the operations much better than we were able to in the past.

Had most of the operators operated illegal sportsbooks or racebooks in other areas?

You know, I don't think while I was on the Gaming Control Board we had *one* person who ever appeared before us for licensing to be an operator of the race and sportsbook who did not have multiple arrests for illegal bookmaking. But that was our problem, when we went through the licensing procedure they were all arrests but no convictions. We went to law enforcement people in New York, the East Coast, and Ohio to find out the story behind these individuals being arrested but no convictions. And they said, "Well, we just would break up the book and let them go. We didn't make a big thing out of it." So here we were in a position to operate sportsbooks with people that had arrests but no convictions, and they were so happy to be able to work in a legitimate operation that they were very helpful to us as far as establishing a good set of regulations. There haven't been a lot of changes made on regulations governing race and sportsbooks since then. Now, the internet is going to cause some other problems. They're obviously going to have to make some major changes to the regulations involved there. I'm not current with that, but I can foresee that there is going to have to be some major work done on controlling the internet gambling that's going to be taking place.

Did you ever consider the possibility of closing all the race and sportsbooks?

Yes! As a matter of fact, we had some discussions regarding whether we had, in fact, made a mistake by even allowing them to go into the various operations in Nevada. We were concerned about the race and sportsbooks very definitely. We were especially concerned because we knew the federal government was watching us very carefully. To this day we're the only state that allows sports betting. There was an act passed in Congress, led by Senator Bill Bradley, that outlawed all sports betting, except in Nevada.

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The Commission also went against your recommendation on Ash Resnick. Would you give us a little background on Mr. Resnick?

Yes. Ash Resnick was a host in Las Vegas when the host business was just beginning. Most places didn't have a lot of hosts. Most of the people that were operating the games were the hosts. But Ash became a legitimate host. He was a former professional basketball player in the early days of professional basketball and was a very gregarious guy. Played golf and was generally liked by most people that he ever ran into. The problem that we had with him was that he was working in establishments such as the Aladdin and the Tropicana where we were uncomfortable with some of the operators that were in those establishments. We called him forward for licensing as a key employee, because we felt that he was dealing with such big money that we wanted to know more about him. He was not only issuing credit, he was collecting markers, and he had all the comp privileges. We did a lot of investigative work on him, but we could never track down how he accumulated his wealth, and he was a reasonably wealthy man. He had a beautiful home in Las Vegas and he had assets that were substantial. He'd established a pretty good net worth for being just an employee that didn't make very much money. I mean, his salary was minimal. We were also very uncomfortable with his recordkeeping, both his personal records and also his records on markers. If he went out to collect a hundred-thousand-dollar marker, he would come back with sixty thousand and say that was the most he could get from the guy, and it's better to get the sixty thousand than not get anything. However, there was no way that he could justify how he had accumulated his money, other than the fact that we suspected, and were fairly well convinced, based on tracking his personal finances, that he was making collections on these markers and keeping part of the money himself.

We had a hearing on him that lasted the better part of a day, and we recommended denial of Mr. Resnick based on what we were able to find, and recommended to the Commission a denial. It was a unanimous vote by the Board, and we went to the Commission and they overturned us and allowed him to continue to operate as a licensee in the state of Nevada. That was not a pleasant defeat for us. We felt that we had been wronged. But Ash was one of those kinds of guys that everybody that knew him liked him. He was a loveable kind of guy, but he just wasn't honest about the way he handled his finances.

Is he still living?

No, he passed away several years ago.

You mentioned the Tropicana and the Aladdin. Did he work at any other casinos?

Those are the only two. He may have worked at some other properties, but I wouldn't feel comfortable naming them based just on my memory. But I definitely know he worked at both the Aladdin and the Tropicana. And those were two establishments that we were constantly dealing with as far as having illegal operators being in there. And so it just added to the problems we were having with those establishments.

How important is it that the Board and the Commission have a good working relationship? Can you maintain a good working relationship when opposing decisions are made?

That's a good question. You need to have a good relationship because you are, in essence, the gaming regulatory arms of the state. You have to work jointly to watch out for the best interests of the gaming industry and for the state of Nevada. But it's a situation comparable to passing a law in one house

of a legislative body, and not getting it passed in the other house. Our entire governmental system is set up on checks and balances.

There would be times when we as the people that were out in the field working day to day regulating the industry felt that a certain decision would be what would be best for the industry, but the Commission disagreed. I do think there's some value to the check-and-balance system, because sometimes people can get tainted. These five commission members are people that are out in the community. They may have a broader view of a problem or a situation than those of us that are in the regulatory scheme day in and day out. Twenty-four hours a day that was our business, and we saw it from our perspective. Hopefully, you would think that you had honorable commission members and they would see it from a broader point of view, and they would look at a situation with a little different perspective. I would be a defender of the current system of the checks and balances, but boy, it gets difficult when the Commission overturns you on some cases when you feel so positive that you had a good case and that you had made a good presentation. But the next day you have to be working together to try and come up with best policy, the best regulations, and the best presentation to the legislature to continue to strengthen gaming. So it's a fine line to draw between somebody that's going to be passing judgement on your work and somebody that you have to work hand-in-hand with in order to continue strengthening the gaming industry.

And, like you say, it's a checks and balance system. It's a two-tiered system. If the Commission and the Board weren't going to disagree once in a while you wouldn't need a two-tiered system.

Yes. It's tough to take a defeat, though.

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In late 1978 and early 1979 the Board and the Commission were concerned with the licensing of Frank "Lefty" Rosenthal at the Stardust Hotel-Casino. This problem had also occurred in past years. Would you relate to us the events that transpired at an unprecedented joint meeting of the Board and the Commission held in 1979?

We were constantly having problems with the Stardust Hotel. It started when Allen Glick was licensed as the general operator. He was just an attorney that happened on the scene and was apparently selected by the mob representation to be their front man in Nevada. I had several private meetings with Allen Glick, and I honestly feel that he didn't realize how muddy a water he was getting into when he got affiliated with those people, but he was there.

And then he got in and couldn't get out?

Couldn't get out. He told me flat out, he says, "I have no control over 'Lefty' Rosenthal." But we couldn't get anything on "Lefty" because, again, "Lefty" was very clever at staying outside of the conditions required to bring someone in for licensing. Nevada law is fairly broad, but he was always on the outskirts. One night when Bud Hicks, Jack Stratton, and I walked into the Stardust, "Lefty" Rosenthal was right in the middle of the pit. Now, why he was in the middle of the pit? He allegedly was the food and beverage director for a while and then became entertainment director. He had no reason to be in the

middle of the pit. We observed his actions in the pit, and when he saw us watching him, he got out of the pit in a big hurry. We ultimately felt we had enough personal observations and personal instances, that our agents had seen, that showed that he was exercising *some* control over the gaming operations in the Stardust. At that time we called him forward for licensing. The current mayor of Las Vegas, Oscar Goodman, was his attorney. And Oscar is an excellent attorney. He is a very, very astute attorney and did an excellent job for Rosenthal. But we felt at that point that we had enough information to require he be brought forward for licensing, and we requested a joint hearing between the commission and the board to say to "Lefty" Rosenthal, "We think you exert enough influence over this operation to be called up for licensing." Their argument was that he had no involvement with the gaming. At the conclusion of the joint meeting the Commission voted that he should be brought forward for licensing.

So the purpose of the meeting was to show a united front and to let Goodman and Rosenthal know that you were going to go ahead with it?

Yes, that we definitely had enough information to call him forward for licensing.

What was Goodman and Rosenthal's reaction to that decision?

They were extremely upset with it, but we went ahead and started our investigation and began the process of bringing Rosenthal up for licensing.

Were you still chairman of the Board when he came before the Board and the Commission to get licensed as a key employee?

No. I had just left. I was in the process of leaving when we had our hearing, but the Commission had not had theirs. They had to delay their hearing for a while, so I was not directly involved. We had recommended a license denial, and we'd also recommended inclusion in the "Black Book." At the same time we went after Rosenthal, we went after Tony Spilotro. Not only did we not want him licensed, we did not want him involved in the gaming operation at all, and both Spilotro and Rosenthal were eventually listed in the "Black Book."

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In July of 1979 the Control Board recommended that the Argent Corporation owners be fined twelve million dollars. What was the reason for that huge fine?

We felt that was the way to collect the amount of money that we discovered was missing when we went into Argent Corporation. We then added on a penalty fee that ultimately brought the total to twelve million dollars. The debate was over how much actually had been skimmed, and we determined it was somewhere between three million and seven million dollars. So we took the top number and added five million to the top of that as a penalty and made that our recommendation.

What did the Commission do with your recommendation?

When the Commission heard that that was the amount that we were going to come up with, they reviewed our case, and Chairman Reid held a meeting with our attorney and myself to talk about the fine. We had heard that Argent Corporation was going to challenge our recommendation in the courts. Nevada gaming law had never truly been challenged in the courts, and we were concerned that while our regulatory system could be supported under our state law and in a regulatory sense, we didn't feel that it could stand a courtroom challenge, where you have to prove things to a greater degree than we had to as far as our regulations were concerned. We felt we could go ahead and carry our case, but in discussion we felt that the fine was too excessive. So our deputy A.G. [attorney general] and myself met with the Argent people to talk about the fine. One of the things that we wanted, above all else, was to get Allen Glick, "Lefty" Rosenthal and their people out of Nevada gaming. So we came to the conclusion that we would lower the fine, with the understanding that Argent would sell the company and Glick, Rosenthal, and [Frank] Mooney, who was their controller, or their money man, would be gone. And that's the way it came down from the Commission when they had their hearing; they were found guilty of taking the money, we levied a fine of seven hundred thousand dollars on Argent, and Argent Corporation, and the individuals involved, were to get out of the gaming business. They were given until December of 1980 [eighteen months] to find someone to buy their position out of their ownership of the Argent Corporation.

When Argent was ordered to sell their properties, who came forward then to make the purchase?

It took a while for anyone to surface, and we kept reminding Argent Corporation that we were keeping an eye on them and the clock was ticking. The new purchasers that came forward were Alan Sachs and [Herb] Tobman, and when they were suggested as being the new operators, we ordered them to come in for licensing.

What were Sachs and Tobman doing prior to making their offer? Were they working in the casino industry?

Alan Sachs had a history of having worked in casinos, and he had a considerable background in casino operations. As a matter of fact, it's *alleged*—I don't know if it's ever been proven—that he was the man that originally hired Rosenthal in a casino operation. Tobman had been in business and been a businessman, but he did not have as much of a casino background as Sachs did. Sachs was the gaming man.

What was the reaction from the gaming industry to Sachs's and Tobman's offer to purchase the Argent properties?

I think the industry people that were concerned about what was happening in gaming were happy to see that there was going to be a change of ownership at the Stardust. The fact that the mob was in there had not only been known in Nevada but it was known across the country. It was also known that we were trying to get those individuals out of there. So the legitimate operators in Nevada were happy to see that we had forced them out, and they were happy that new people were going to come in to the operation. Sachs and Tobman had been in Las Vegas for a good number of years, and I think the fact that they stepped forward was well accepted by the people that were in the industry.

Did you have any fear that you were actually letting the same group run it, only under different names?

Yes, we did. We had heard—or we had this inference—that Sachs and Rosenthal had had some kind of an association previously, whether it was employee/employer or friends or whatever. So we did have some fear, but they had a good reputation in the community, and they weren't looked at as being bad people. But when we got into the investigation more and more indications were starting to surface that there may very well be a connection between Sachs and Tobman with the original members of the Argent ownership and some of the mob members from Kansas City and Chicago.

When you began the investigation of Sachs and Tobman was it an extremely in-depth investigation? Did you look a little bit deeper than you would have on other people?

It was our regular investigation. They had to submit their financial statements, had to submit their background, had to submit the source of funds that they were going to use to replace the money that had been put in there by the previous Argent-owned operation. We wanted that money out because there was a considerable amount of Teamsters pension fund money in the operation and we wanted it replaced with legitimate money. They had to submit their complete package, and once they submitted that package—and it didn't come in all at one time; it came in kind of piecemeal—then we started our investigation.

Do you recall how long the investigation lasted?

It took several months. And as we were pursuing it we'd get briefings on where they were on the investigation, what they'd found and how far they'd gone. Then some concerns started to develop that the source of funds may not be changing. The whole situation started to get a little muddy and we wanted to follow up on some of the areas of concern that were being developed by the investigation.

Was there pressure put on the Board or on yourself to speed up the investigation of Sachs and Tobman?

Not initially. The initial part of the investigation kind of just ran its course. But then when we found these additional areas of concern, and we started sending our investigators back to find additional information and that naturally stretched the investigation out further. Then there was some pressure, letting us know that we needed to hurry up and get this investigation taken care of and get the licensing moved forward.

Was Governor O'Callaghan still the governor?

No, it was Governor List.

Did the pressure to speed up the investigation come from Governor List?

Governor List talked to me about the investigation. I told him where we were, what had happened, that we had some additional information that we needed to follow up on and that we were pursuing those avenues at this time. And he says, "Well, we've got to move this thing forward." And I said, "Well, we're moving it as rapidly as we can, but as we get more information that we have

concerns about it's going to take us longer than we thought to get the investigation carried out." Later I found out that Governor List got impatient with my answer when I told him we were following other sources, and he went to control board member Richard Bunker and told him to move the process faster. I later discovered List and Bunker were having private meetings to discuss the hearing and to speed up of the process without my knowledge.

Had Richard Bunker replaced Jeff Silver on the Board?

That's correct. Jeff Silver's term had expired and he was not reappointed. Richard Bunker had been appointed to the Board by Governor List.

Was Governor List more involved in the Board's business than Governor O'Callaghan?

Very much so. Governor List would call on a weekly basis to see what was going on with this investigation or about such and such a problem that was going on. When I became the chairman of the Gaming Control Board, Governor O'Callaghan maybe called me once or twice in the entire year and a half that I was the chairman during his term. So there was a considerable difference between the two governors.

What were some of the concerns that the Gaming Control Board had with Sachs and Herb Tobman?

Well, it was financial and also with their associations and who they were answering to. Who were they ultimately going to be responsible to? Was it going to be just themselves that would carry this thing forward, or were they going to be involved with people in the Argent Corporation? Where was the money coming from that they needed to operate the facility? We were starting to see some clouds develop when we got further into our investigation and we were concerned that we might still be dealing with the same people that we had been dealing with, only with a different cast of characters as officers. That it was different people in the front, but the same cast of players in the back.

When Governor List appointed Richard Bunker to the Board, did he consult with you?

No. No, he didn't. He didn't call me about him. As a matter of fact, I don't recall how I became aware that Richard Bunker had been appointed, whether Governor List called me or if I read it in newspaper. I'm not sure exactly how that happened.

Do governors usually check with the chairmen or other board members regarding an appointment?

I'm not sure. I was O'Callaghan's appointment, and Jeff Silver and Jack Stratton were already on the Board. I came in from the outside, and this was the first governor appointment to the Board that I'd experienced, so I really didn't have any knowledge as to how it had been taken care of previously. I had never talked to any previous Gaming Control Board chairmen about it.

Had you known Richard Bunker before he was appointed?

Yes, I've known Richard Bunker for a good number of years. As a matter of fact, I first met Richard Bunker when we were both in high school and we played basketball against one another.

What line of work was Mr. Bunker in before he came on the Board?

He had been a lobbyist for some companies in Las Vegas, mostly public entities. He was affiliated with the city manager's office, when he was appointed to the Gaming Control Board.

You mentioned earlier that Richard Bunker and Governor List had meetings about the Sachs-Tobman investigation. What are some of the specific incidents?

I knew they were on the phone a great deal. There were people in the Gaming Control Board office in Las Vegas that let me know that Governor List was talking to member Bunker on the phone a considerable amount of time. Also, I knew that Richard Bunker had flown to Carson City, without my knowledge, and had met with Governor List at the mansion, not at the office.

Do you have any idea why Governor List was in such a hurry to get this applicant OK'd?

Yes. I think number one, this was our avenue of being able to get the Argent Corporation group out of the state of Nevada. We had made a commitment to do that and we wanted to get them out. However, by doing that we also said that we wanted to make sure that we were in fact replacing the back-room members of the Argent Corporation that were running the place. And as the investigation moved forward, our investigators were finding that, in fact, this may not have been the case. But when I told Governor List that, he didn't feel that Tobman and Sachs, who had been in Las Vegas for a good many years, were involved at all with the former regime of the Argent Corporation. So he was anxious to push it forward, and I was not anxious to move the investigation any faster than we should as long as we had leads out there that were showing us that there may be something more than what was on the surface.

There was a member of the auditing division named Dick Law who had assembled a two-hundred page report on the Stardust operation and on Al Sachs and Herb Tobman. That report was withheld from the Commission. Could you tell us anything about that report and why the Commission never saw it? Did the Board see it?

I saw parts of it, but I never saw the final, completed document. But in the parts that I did see Dick Law had jumped to some conclusions and I wasn't able to factually follow a trace on a source of investigation and come to a conclusion that could be satisfied with good facts. It seemed like he was expressing his view and making some assumptions that were not substantiable. We just did not have any material that would substantiate the conclusion that he came to on a certain case. We told him we needed more information on that, but his report was all part of the process that we were going through on this investigation. Although I had him separated from the investigators who were going out in the field doing the actual investigation, he was part of the audit group that was investigating what had happened previously during the slot scam. However, he was never able to really come to a conclusion that we felt was factual enough to carry forward in case we did have a court challenge. And so while I never saw the completed document, I wasn't totally comfortable with the parts that I did see. He had not completed that

report when we had the hearing on Argent Corporation, and it was shortly after that that I left the Board. So I never saw the final report.

So if the Board never saw the report in its final form, is that why it didn't go to the Commission?

I assume so, because with the parts that I saw, as far as I was concerned, he was still working on putting it together. We were waiting to have something more substantial from him when the scheduled date of the hearing was accelerated to the point where we went ahead without the benefit of any of his report.

Did you feel you had so much pressure that you had to go ahead with the hearing? You couldn't have put it off another month or two?

Well, I wanted to put it off, but I had a couple of board members that I had to deal with, and they felt comfortable that we had enough on the case to go ahead and make a decision on Sachs and Tobman. I never did hear again from the governor, once he realized that I was going to let the investigation follow its course. The other board members felt that we had a good, completed investigation and so we went ahead with the hearing.

Whatever happened to Dick Law? Did he get terminated after you left the Board?

Yes, he did.

Did he appeal that termination?

Yes, he did appeal it, and he did win his appeal.

At the Sachs-Tobman hearing, did the Nevada Gaming Control Board recommend denial or approval for their application?

It was an interesting meeting. The hearing lasted probably two or three hours. And during that time Jack Stratton and I asked *all* the questions. Mr. Bunker never asked one question during the hearing. We made a recommendation that we would approve their licensing, but they were to only get a one-year provisional license, which meant that they would have to come back to us within a year to substantiate that they had in fact been following all the procedures and conditions that we were going to put on them. That was our recommendation, and it went forward with a three-nothing vote. But when it went to the Commission, the Commission then reversed us. I later found out that some of the commissioners had met privately with Mr. Bunker and Mr. Reid. They had agreed that they would reverse our decision, and instead of making it a provisional license they gave them a *full* license, which then put the burden of proof on the Gaming Control Board rather than on Argent Corporation.

The decision made by the Commission caused you to resign your position. Would you expand on that incident and tell us why you felt it was necessary for you to take such drastic action?

When I found out that they had had private meetings between the control board hearing and the commission hearing, and that they had had private meetings with Richard Bunker being in attendance, then I knew that the system of Gaming Control Board as I thought it should be run was out of whack, and that I, the chairman of the Gaming Control Board, was being cut out of the pattern by the List administration. I felt that I was not doing the job, and it bothered me so much that I decided I should submit my resignation.

Who did Governor List name to replace you as chairman?

Richard Bunker replaced me as chairman.

Did Mr. Bunker serve out his full term?

No. I'm not sure on the exact times, but he got into some difficulty because he had his secretary collecting donations for political campaigns. The Gaming Control Board historically has never been involved in any kind of politics, and so with that in mind, he submitted his resignation when it was discovered that he was collecting campaign money.

Was Governor List still governor then?

Governor List was just going out of office and Governor-Elect Richard Bryan was just coming in.

Did any problems come up with Sachs and Tobman later on?

Yes, eventually it was found that what we had suspected was the case, that they were basically front men for the unwanted element. And so subsequently they did have their license revoked by future actions of the Gaming Control Board and the Commission, which made me feel good.

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During your tenure as a chairman, you made many decisions that were unpopular with an unsavory element. Were you or your family ever threatened at any time with physical harm?

No. I was concerned about it, and I did get some threatening letters and postcards and things of that nature, but nothing that was too significant. I remember talking to the top agent for the FBI in the state at that time, Jim Powers, and telling him my concerns about it. He said, "You know, this won't help you when you're wife is going to your funeral," was the way he put it. But he said, "I don't think the mob could take the heat that would come down if something happened to a Nevada regulator. And so I don't think that there's any reason for you to be concerned." And frankly, I took him at his word. Maybe I was naïve, but I never felt from that point on that I really had anything to be concerned about.

Was Frank Rosenthal one of the biggest individual problems that you and the Board had to contend with, during your term as chairman?

I would say he probably was, because he was such a visible man. He became kind of a man-about-town in Las Vegas. He was well known, was involved in a lot of activities in the community, had his own television program, wrote an article for a newspaper. He just became part of the community. When we started going after him as far as his licensing was concerned, it was difficult because there were a lot of people in the community that said, “Oh, why don’t you just leave well enough alone and let him be here?” But that didn’t mesh with our bigger picture of trying to clean up the mob influence in Nevada so we could get the legitimate money and financing into the state to ensure we had a strong gaming economy. We felt we had to continue to move after him, and he was certainly more visible than any of the others. Joe Agosto was not nearly as visible. He was kind of a man behind the scenes in most instances, and he was not that active in the community. James Tamer was not that active in the community. Allen Glick, while he was the general manager of the Argent Corporation, was basically not a very visible public man. He didn’t become the community personality that “Lefty” Rosenthal became.

Allen Glick later testified that he was an innocent victim of all this. What’s your feeling on that?

Well, I don’t think he was an innocent victim; I think he knew what was going on. Did he have control of the situation that he was in? No. I’m sure he found himself in some real deep water, and he was just a good boy and kept a public image that he was the man that was in charge, but in reality he was not the man that was calling the shots and making the major decisions. But I’m sure he knew what was involved and who the people were that were involved.

Was there one applicant or licensee you would call the most unforgettable character you ever met?

One of the funniest we ever had was a guy that wanted to come in and open a sportsbook in Fallon, Nevada. He’d been a bookie and he’d run a lot of illegal books across the country. But he’d also been an umpire in the Sunset League in Nevada, which was a professional baseball league. He was a character. [laughter] When we were asking him direct questions about his involvement in illegal sportsbooks, the man was blunt and forward about things. [laughter] He would say, “Yes, I did that. I did this. I did that.” We asked him if he knew what a bag man was and he said, “Yes, I *was* one.” [laughter]

[laughter]

He had the entire place in stitches laughing about some of the funny things he did while he was collecting money and the people that he’d met. We voted him down, but it was one of the more enjoyable decisions that we had in the sense that he just kept us laughing. But he just wasn’t the type of person that we wanted running one of our sportsbooks.

The other most colorful person, other than “Lefty” Rosenthal, of course, was the man that I spoke of briefly earlier—Ash Resnick. He was certainly a man-about-town in Las Vegas, well known by the entire community, was a golf hustler, but a man who was very kind and gregarious. He just loved people and he loved being around them, but he also liked to keep part of the money that he collected, and that was when we had our problems on his licensing.

There seems to be quite a few people that were well liked by the community as a whole. Wasn’t Moe Dalitz another one of those that was well liked?

Yes, very much so. As a matter of fact, when he built a casino in downtown Las Vegas he said, "Well, I'm not going to be the licensee, I'm not going to run the place so I don't need to be licensed." Well, fortunately, in Nevada regulations there is a clause that says if you are to participate in revenues from a casino, whether it would be in rental fees or in supplying goods to the operation, we could say that you would be participating in gaming revenues, and we could call you in for licensing. When we looked at the arrangement that they had established at the casino in Las Vegas with Moe Dalitz, we called him in for licensing. Within a month after we called him in for licensing, the Conference on Christians and Jews named him as Man of the Year because he'd contributed a million dollars to their campaign. However, we never were able to bring him in for licensing because he sold the building and there was no way for us to continue forward with the licensing procedure at that time. Interesting though was that the people that were going to be running that operation were Tobman and Sachs.

* * * * *

Would you tell us about Tony Spilotro? Did you have any connection with him?

We were very aware of Mr. Spilotro. We had been alerted by the U.S. Attorney's office and the FBI that he had come out to Nevada and we let it be known that we were not going to tolerate his involvement with any of the gaming operations. He didn't get involved, but he set up a pawn shop operation in the community. He was allegedly sent out by the mob to keep an eye on "Lefty" Rosenthal, because as the web was closing in on Rosenthal and the Stardust and some of the other places, the revenues leaving the state and going to Kansas City and Chicago were starting to shrink. The mob bosses wanted to know what was happening, and Spilotro was sent out here to keep an eye on Rosenthal. We had his history and we definitely said that if he set foot in a casino he would automatically be called in for licensing. We watched his movements around town very closely to be certain that he stayed out of the casinos.

When you watch someone like that is a specific individual given that assignment?

No. We have a lot of undercover agents, and they were all very familiar with his appearance. They had a lot of pictures of him, and if he went into any casino we knew about it. Once we called him when we saw him in one of the casinos and he said, "Well, I'm not involved in the casino operations," although we did feel he was picking up some markers and that sort of thing, but we were never able to prove it. We moved directly onto Spilotro after the Rosenthal and Argent situation, because of Rosenthal's and Spilotro's relationship. We knew that they were friends, or associates and we moved to have Spilotro placed in the "Black Book."

Was he entered into the "Black Book?"

Yes, he was.

Would you tell us about Carl Thomas?

Carl Thomas was a licensee at the Palace Station. [Formerly the Bingo Palace, now known as Station Casino]. He was the general manager of that operation, and he was certainly a man-about-town, very highly-respected businessman, was active in many civic clubs, and was certainly well known in the community. We were frankly shocked when the U.S. Attorney came to our office in Las Vegas and played a tape on which Carl Thomas was talking to the Civellas [Nick and Carl] and Joe Agosto [from the Tropicana] and telling them how to rip off the soft-count room. We were amazed, and naturally we started our investigation procedures with Carl Thomas. He very quickly resigned, sold his shares in the club to Frank Fertitta, and the Fertitta family still is the driving force behind the Palace Station operation [now known as Station Casino], which is the one that's soon going to be opening the Indian gaming operation in Auburn.

We took Carl Thomas's license from him and he relinquished it without a fight when he realized what was going on. Subsequently, he left the state of Nevada after he shamed himself, but a future board and commission put him in the "Black Book." We didn't. We just took his license from him, asked him to get out of the gaming business, and he turned it in automatically without any trouble.

The chairman of the Gaming Control Board is one of the more influential people or important people in the state of Nevada. What are some of the characteristics or work habits that it takes for an individual to become chairman?

Well, [laughter] you have to be willing to commit hours. There's no doubt that there were a lot of ten, twelve-hour days, and there were several seven-day weeks. When you're working on an important case you have to make yourself available by phone, or if you leave town you've got to let people know where you can be reached on a twenty-four-hour basis. When you went on vacation you always either left a phone number where you could be reached or called the office on a daily basis. So the demands are very extensive with a lot of demand, particularly in Las Vegas, from the media. There are reporters and television stations all over the place. As a matter of fact, the day after I announced my resignation from the Gaming Control Board, two television stations from Las Vegas were at my front door, because they knew why I had resigned. But I'd made a promise to Governor List that I was not going to go public with any of our problems. I just didn't feel like I wanted to make a big stink about it. I thought that would cause more harm than good, and I told him I would not speak to the media. I didn't get my vindication until several years later when Tobman and Sachs were thrown out of the gaming business. But there's an awful lot of media scrutiny in Las Vegas from both television and the written paper. And, of course, when I was chairman of the Gaming Control Board, there was a newspaper called *The Valley Times* that was run by Bob Brown, and one of his writers who wrote a column in his newspaper two or three times a week was "Lefty" Rosenthal. Bob Brown was a pretty good newspaper man, but "Lefty" had convinced him that the Gaming Control Board was bad for the state, and so he was constantly on us. He had a young writer on his staff that was always on us. Ironically, one year after I had left the Gaming Control Board I went to Las Vegas for a meeting, and as we were entering this restaurant I heard somebody call my name, and I turned around to see this young man walking up to me. He says, "You probably don't remember me."

And I said, "Yes, I remember who you are." It was the reporter that was constantly on us.

And he said, "I want you to know I'm doing a documentary that's going to come out on television. It's called *Mob on the Run*, and it's going to talk about what gaming control was doing, and did do, to get the mob out of the state of Nevada." And he said, "You were part of that documentary, and I

wanted you to know.” He says, “Yes, *me*, the guy that used to give you all that trouble.”

He *did* have his life threatened, and his car was blown up in Las Vegas. Then he went to Hawaii on a vacation and drowned while he was in there. Don’t know if he had a heart attack while he was swimming or if it was foul play. You always suspect that something may have happened. I have a copy of that documentary. The Gaming Control Board agents brought me a copy of the documentary that was run in Las Vegas, and it’s a pretty good reflection of the efforts being made at that time to get the mob out of the state of Nevada.

What was that writer’s name?

Ned Day was his name. He got to be very highly thought of in Las Vegas, particularly when he started running articles against the mob influence in Las Vegas, and in support of what gaming control was doing. He became quite famous in Las Vegas when he put together this television documentary. Our son was working in Las Vegas at the time, and one of his co-workers, after it appeared on television, said to our son, “Say, are you related to that Trounday that was on that television program?” [laughter]

And our son said, “No.” [laughter] He didn’t want to be tied into that. He said, “I didn’t want somebody bumping me off.” [laughter]

There are a lot of opportunities for people in the position that you held to be bribed or to be compromised in one form or another. Does the Gaming Control Board have a totally clean record all throughout the years?

Yes. By and large, I would say most governors and most commission members and most Gaming Control Board members have been very, very good people. They’re honest and they want to do what’s right for the industry, and they want to do what’s right, period. Every time someone has tried to cut corners, it has come to light very quickly. The reputation of the gaming industry in Nevada is just too valuable for anybody to fool around with.

We talked earlier of why you left the Board. Would you tell us where you were employed after you left the board?

After I left the Board I was scared to death, frankly. I was unemployed and had three kids; two of them were in college and one was a senior in high school and was going to be in college that fall. I was frankly quite concerned what I was going to do, and I just started looking for jobs. It was at that time that the Caesars Palace people, Harry Wald, Cliff Perlman, and Pete Echeverria, who was the same man that helped me in my appointment with Governor O’Callaghan, came and talked to me about going to Lake Tahoe and working for Caesars Tahoe. I was relieved to be offered a job, because at that point I was quite concerned. My wife was teaching at the time, so it wasn’t that we didn’t have any salary coming in, but it was an expensive time in our life.

What position did you take at Caesars?

I became the general manager. Caesars had just opened, so they had an individual there running it, but only on a temporary basis. He was a Las Vegas guy and he wanted to go back to Las Vegas.

Caesars Tahoe is a wonderful property, but it's never going to make any money. It has had very few years, even today, when it's made any money because it's so small and it's so limited. You know, you get a four-hundred-and-fifty-room hotel at Lake Tahoe and the seasons being what they are and, it was just tough to make money. And not to make a profit year in and year out just got to me and I finally scheduled a meeting with Mr. Perlman and told him that I was leaving the organization. Several general managers have gone to Caesars Tahoe and put in a year or two and then left, because the pressure of not making any money is really tough.

Can't they grow or expand at all?

No. TRPA [Tahoe Regional Planning Agency] will not allow it. When you opened the property you had to submit a footprint of the exact size of your operation, and you could not make any changes on your floor, as far as expanding the gaming area was concerned, once that footprint was submitted. It was just too small a place to really be able to generate enough revenue to make it profitable. I've talked to several people in the Caesars organization and they all said it's just a constant struggle up there to make it.

At the time that you left the Board and went into the gaming industry were there any adverse comments from anyone in the gaming industry or general populace saying, "How do you go from being a gaming regulator to a gaming operator?"

Yes, there was a good deal of discussion about that; that it just did not give the public the proper impression when you left as being the main regulator of the industry and then immediately after you resign go to work in the industry. It just gives the appearance of possible impropriety. And so, yes, there was some concern about it, a lot of discussion about it, and subsequently legislation was introduced that made a one-year cooling-off period mandatory.

After you left Caesars Palace did you stay in the gaming industry?

Yes, I went to Wendover for a short time and helped start a small casino there. But it was just too hard living there; it was too difficult, too isolated, as far as my family was concerned, and so we left there and came back to Reno. Then I started working for John Ascuaga's Nugget in Sparks and worked there for fourteen years until I retired.

When did you retire, Roger?

On June 30, 2001.

Looking back on why you left, do you have regrets that you had to leave the Board? Would you have liked to have remained as chairman if things had been different? Would you have liked to have stayed on the Board a little longer?

Yes. Yes, I would have liked to have finished out my term. I didn't like the fact that I quit. That was the first job I'd ever quit. When I was appointed to something I felt that I should fulfill my obligation

and finish out my term. Yes, I do regret that I didn't finish out my term, or couldn't finish it out, but the pressure was just mounting more and more. I knew that I wasn't effective without the governor's support. It was a situation that wasn't good for me, and it wasn't good for the Gaming Control Board, because of the very divisive situation that was going on. It got to the point where the Las Vegas office was told not to communicate with the Carson City office. There was a real breakdown in communication taking place, and it was just not good.

I imagine the third member of the Board, Jack Stratton, was placed in uncomfortable positions at one time or another, also.

Yes, he was. Jack was older and he was close to his retirement years, and so it didn't impact him as much as it did me, because I was being bypassed while I was supposedly the chairman of the Board, as opposed to being just a member and being bypassed. But, yes, I'm sure Jack was caught in some difficult positions.

Roger, what accomplishment are you most proud of that happened during your term on the Board?

I think the thing that I'm most proud of is the fact that we were able to finish what the previous board and the previous commission had done to clean up the gaming and get the mob influence and the Teamster money out of the state of Nevada so that we could get legitimate investments into the industry from banks, insurance companies and publicly-traded companies. Also, the fact that we held the hearings that got rid of Joe Agosto, got rid of James Tamer, got rid of "Lefty" Rosenthal, got rid of Allen Glick, and put Tony Spilotro in the "Black Book." We were able to get that element out of the gaming industry, and make it a legitimate business, so that when we sat down with banks and insurance companies and they asked us how we regulated the industry we could demonstrate to them how we did it: we showed them our accounting procedures; we showed them all the investigations that applicants had to go through; we showed them our enforcement capabilities and what we're able to do. So I think our biggest accomplishment was to finish the job that had been started by getting the mob influence out of Nevada and letting the general public know that we were a very legitimate business. We didn't have any outside influence that was skimming money from us, and the State of Nevada could rely on the revenue that was generated by the gaming industry.

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Earlier you were talking, Roger, about how the mob was run out of town and cleaned up during your tenure. What kind of association did you have with the FBI and the attorney general's office?

Well, prior to Phil Hannifin and Pete Echeverria's reign as chairmen of the Board and the Commission, the relationship was virtually non-existent, because the FBI would not work with anyone else. Gaming control in Nevada was very suspect. They just didn't feel that we were effective, particularly when they knew that there was mob influence in the gaming industry in Nevada, and mob money here from the Teamsters money. However, when Nevada demonstrated that they were getting those people out of the state of Nevada, then our credibility with both the FBI and the U.S. Attorney's office improved dramatically and we began working closer with the FBI. They shared information with

us, and certainly they had the capability of having authority in areas other than in Nevada, and we, of course, were confined to having authority only in the state of Nevada. But by sharing their capabilities with us, things, such as wire taps and those kinds of things we gained invaluable information that helped us put our cases together to get these people out. When we gained credibility with them, then they were willing to share their information with us, which was very helpful for us in getting people out of the state of Nevada.

The improvement in the relationship occurred primarily during Mike O'Callaghan's administration, because that was when the biggest push was made to get the mob out of the state of Nevada. When they saw the effort that we were making, then they became partners with us. That relationship has been off and on since then. There have been times since then when the relationship with the FBI has been very poor, and there have been other times when they've worked well together. A lot of it depends on who the people were. After we gained credibility I had meetings with Jim Powers, who was the top agent for the FBI in Nevada. I met with him privately on a couple of occasions and talked about information they had and where we were. We worked jointly with them and supported them on the hit that they made on the Tropicana. They said they could not have done that if it hadn't been for our relationship. To this day I have a wonderful relationship with Jim Powers. I think he's an outstanding law enforcement officer.

When gaming became legal in New Jersey, did the FBI ask for any help from Nevada gaming control people?

Not initially. I was only on the Board for a short time once gaming started in New Jersey. But I did go back there and did spend some time with the regulators that were appointed, and we had a good relationship. The man that was the head of the gaming enforcement there was a man by the name of Robert Martinez. He was an attorney, and he and I had a good relationship. We shared information, but I don't know how the relationship has been since then. I do know it was good when they went in. They wanted to do a good job. They knew that the spotlight was on them and that they *had* to do a good job. Their law is much tougher than the Nevada law as far as the licensing process is concerned. They went well beyond what the Nevada law does.

If you had to do it all over again would you still want to be gaming control chairman?

Oh, yes. I enjoyed it. It was a challenge. It was difficult and a lot of pressure. You're dealing with people's lives and making some tough decisions with people, but I felt that we did a good job for the state of Nevada and for the industry. And so, yes, I enjoyed it very much, and it was probably the most stimulating time of my life. But it was tough. I mean, there's no doubt. It's not something you want to do for a long period of time, because the pressures are pretty tough. It did finally affect Phil Hannifin's health. That's the reason he left, and the reason I was appointed, was because his health deteriorated so badly. And so the pressure does get to you, but, yes, I wouldn't trade the experience I had there for anything.

SUE WAGNER



Sue Wagner was born in Portland, Maine in 1940, and grew up in Tucson, Arizona. She graduated from the University of Arizona in 1962, earned her master's degree in history from Northwestern University in 1963, and moved to Reno with her husband in 1969. In 1974 Wagner was elected to the Nevada Assembly and re-elected in 1976 and 1978. From 1981 to 1989, she served in the Nevada Senate, where for two legislative sessions she chaired the Judiciary Committee, through which all gambling-related bills pass. Encouraged to run for statewide office, Wagner was elected Lieutenant Governor in 1990, despite suffering injuries in a serious small plane crash on Labor Day of that year. After serving one term, she chose not to run for re-election. Wagner was named by Governor Bob Miller to the Nevada Gaming Commission in 1997 and was appointed by Bill Bible to a special committee to study compulsive gambling. She stepped down from the Commission in 2009.

Sue Wagner. Photo courtesy of Sue Wagner.

Dwayne Kling: Good afternoon. This is Dwayne Kling. It's June 22, 2004. I'm with Sue Wagner in her home in Reno, Nevada, and we are about to begin our first interview.

Mrs. Wagner, does the Oral History Program of the University of Nevada have your permission to make available to the public the tapes and transcripts of the oral history interviews that we begin today?

Sue Wagner: Yes, they do, but I would appreciate if you'd call me Sue.

Very good. Thank you.

Sue, let's start out by asking you when and where were you born?

I was born in Portland, Maine on January 6, 1940.

When did you come to Nevada?

Oh, I had a stop-off in Tucson, Arizona, before I got here. My father was ill, and the Maine winters and climate just didn't do him any good, so we moved to Tucson, Arizona in 1950, when it was just a little Podunk-y, small place. And I pretty much grew up there starting in the fifth grade. I went to the University of Arizona as an undergraduate. One of the reasons my family picked going from Maine to Tucson was because there was a university there. They had a couple of other choices in the West where the air and so on would have been good, but they chose that for educational purposes.

I went to Northwestern University for my graduate education, met my husband, and was married. Then my husband got his Ph.D., and then he moved in 1969 to Reno, because he had a job with the Desert Research Institute.

When you first moved to Reno after having lived in Arizona for several years, what was your reaction to the neon lights, the slot machines in stores, and just the glitter of downtown Reno?

Well, it was pretty shocking, actually. I was on the plane and I had my one-month-old son with me at that time, and I had only heard about Reno. I was coming from Tucson, where all my friends and family were, except for my husband, who picked me up at the airport. It was January twentieth; it was the day Richard Nixon got sworn in. I remember these political-type events in my life. He picked me up at the airport and he drove down Virginia Street, and I couldn't believe it. First of all, it was snowing and there was all this slushy, dirty snow, and there were all these lights on, and the airport had slot machines, and I was not really all that impressed, to be honest with you.

[laughter] Shortly after moving to Reno, you won a seat in the state assembly. What motivated you to run for an elective office?

Well, I had been running for office probably since the fifth grade, whether it was president of the class in junior high school or high school. I was very active. And, in fact, at the university in Arizona, I was a student body officer. So I think when my husband met me, he probably figured I might do this, but probably not as soon as I did.

[laughter]

And several years after I moved to Reno, I got involved in a woman's campaign for the city council. Her name was Pat Hardy Lewis. As a matter of fact, she became the first woman on the city council here in Reno. I have no idea why I thought that at the time why that was so exciting, why I was

thinking it was a great thing for a woman to get elected. But I did. I was interested in it because there weren't any women on any of these boards or commissions—very few in the state legislatures around the country. It started with just meeting her at a coffee, which used to be held in people's homes, but now with so many women going to work, that's not normally the case. But I'd met her and then I helped her get elected. By the end of her campaign I was organizing, directing all of the precinct walking. She was the first person that had done that, going door-to-door, and I learned that from that campaign. And several years later, or maybe just a year later, I really thought about running for the state legislature. I was attracted to that job because it was only every other year, and I thought that would work out better with my own family. My kids were very small at that time. When I ran, they were only four and five.

And it was a *shock*—that was the biggest issue of my entire campaign. I had prepared myself on all these different issues, but nobody asked me any questions about those. All they asked me was about: Was my husband going to divorce me? How could I go off and leave these small children? They're probably going to grow up to be juvenile delinquents! It hadn't been done in this state at all, but certainly not in Reno. So that was a huge issue. I just was so blindsided by that. And what I learned later, interestingly enough, was that women my own age supported me in the smallest amount. Men voted for me way more than women in my age bracket, and at that time I was thirty-four. I think it was because it was at the beginning of the women's movement and things were beginning to change. Women didn't quite get that, but they knew something was going on, and they were very unsettled by it. So that's pretty much why I ran.

And your husband, of course, was in full agreement with your running.

Oh, yes, absolutely. I would not have done it otherwise.

Well, you won the first election you ever participated in, is that correct?

That's right.

And how many other campaigns and elections did you have? Give us a kind of a brief synopsis of the offices that you held in your political career.

Well, I was elected to the assembly in 1974, 1976, and 1978. I think in the last election I didn't have anybody run against me. But one of the things I learned was that it isn't an every-other-year job. I think one of the reasons that I didn't have opposition was the fact that I would go out and knock on doors even if I didn't have an opponent, because I love to campaign, and I love serving. Some people like one or the other, but a lot don't like either of them.

[laughter]

I met a lot of really interesting people, and they told me what was on their minds. However, I had decided with my husband in 1980 that it might be better if I ran for the *senate* for several reasons: one, it was twice as long, a four-year term rather than two; and secondly, you really were more powerful, because there was only half as many senators as there were assembly people—twenty and forty at that time. I was planning on doing that when my husband was killed in an airplane crash in 1980. He was

doing some experiments for DRI. And I didn't know whether I'd be able to do this or not. I remember to this *day*, I had a huge get-together here in my own home after the services at Trinity Episcopal Church. And my sister, who was here at that time, overheard two people—two assemblymen—talking about me in my own living room the day of my husband's funeral saying, "Oh, good, she won't probably run for the senate now, and we can." I remember who those people were. I don't hold a grudge, but it thrust me into saying, "I am going to run." And that probably wasn't the best reason to make that decision, but I think my husband would have wanted that anyway. I think it worked out better with our family, hopefully. And I do know at that time that if I had been just Mrs. Peter Wagner who lost her husband, people wouldn't have rallied round me as much or offered me jobs. I have to believe it was because I was a state legislator. Governor Bob List at the time offered me a position, but I ultimately decided to take a three-quarter time job at DRI.

And I did run for the senate and win in 1980. And at that time we ran "at large," meaning we could elect two senators. And one of the former senators, Cliff Young, who wound up being on the supreme court and was in congress before that, he came to me and told me that he wasn't going to run in 1980 and that he would support me. Well, that was a big thing—a *big* boost. So I did do that. He used to run with Bill Raggio as a team, and we did a little bit, but the two of us did not have a lot of opposition in that race. We both won. And then in 1984 I believe we had cut the seats down to single-member districts, and I was re-elected in 1984. And I don't remember if I had any opposition. In 1988, I did not; I know that for a fact. But I had some people urging me to run for a statewide office in 1990, which I did. And actually, I was on a cycle, because half the senators are up every two years, so there was some follow-up with people, a continuity in the senate. But I was on a cycle where I would be in the senate even if I lost.

I ran for lieutenant governor in 1990. And I was in a plane crash myself, campaigning, as a matter of fact, on Labor Day, and broke my neck and back and was pretty much out of it for quite a long time, but I did get elected lieutenant governor. And the outpouring of support—it was just overwhelming in the state. I mean, I can't even . . . *bush*fuls of cards and letters. And they set up a voicemail at the hospital here, and then I was shipped out to U. Cal Davis Hospital in Sacramento. And I was there for some time, and they even set up a voicemail there, although a lot of people didn't know I had been moved. They did some surgery on me there.

So I've had a long elective career in this state, one which I thoroughly have enjoyed, but clearly, I did not feel up to campaigning again in 1994. Although I have to say, Governor Miller and his staff really urged me to do so, because actually we had a very good relationship, the two of us, even though we were of different political parties. And I think he wanted that to continue, but I decided not to do that. He said I could have whatever I . . . I wouldn't say he'd give me *anything* in state government, but if I was interested in something. He'd call me and ask me if I'd like to head up this or that, but it would have been a full-time job. And if I had wanted to do that, I would have run for office. So I decided that it would be really great to be on the Gaming Commission, because it was perceived to be part time, and it is, but I had to wait until there was an opening, so to speak, in northern Nevada. They pretty much thought about seats being geographically oriented: so many from Clark County, maybe one from the rural areas, or not, and two from northern Nevada, I should say. One appointment did come up, but that particular person was reappointed, and they were a friend of the governor's chief of staff. So I had to wait till the *next* Reno seat came up, and it was Bob Lewis. Governor Miller did appoint me to that position, and then I was reappointed by Governor Guinn. And Governor Guinn, as a matter of fact, was one of my co-chairs for my campaign for lieutenant governor in 1990, and was *very*, very supportive and helped me a lot in that particular race. So I wound up being on the Gaming Commission, which is why we're here today.

When you were lieutenant governor, who was governor?

Bob Miller.

And who did he defeat in the election?

He defeated a man who lived at Incline Village. It's not Jim Galloway, who's a county commissioner now, but the name sounds fairly similar. In fact, I was very surprised that I even went ahead and ran, because Brian McKay, who was then attorney general, was the one that approached me about running for lieutenant governor initially, because he was going to run for governor. And he was kind of coming from Clark County. I was in northern Nevada. You don't run as a ticket, but he thought it would be great if he had a Republican woman—well, of course, it'd be a Republican—a woman in the other part of the state. And so when he talked to me about it—I think we were in Elko at some function, a Republican function—I started thinking about it, and I pretty much decided I would do it. And then he called me—actually, he had his wife call me and tell me that he wasn't going to run. And I was already down the road a bit, so I went ahead and ran. Maybe physically it would have been better if I hadn't, but things worked out for a reason, I guess. The reason being, I guess I'm much more mellow and laid back not being in elective office than I was, according to my family.

You had the full support of the entire Republican Party, also, is that right?

Yes, I did, although I felt that if I could lose, it would be in a Republican primary rather than in a general election. I had a lot of Democratic support because I was more moderate than a lot of Republicans in our state. So I suspect exactly what's going on now in Clark County, that Republicans are running against Republicans who were both in the legislature, one supporting taxes last session and one not, and that would be the kind of thing that I probably thought I might have. The only Republican opposition I had in the lieutenant governor's race was Pro-life Andy Anderson.

Oh, that was your only opponent.

And that was his legal name. He had it changed because, of course, it would point out a difference in that position between he and I. But it wasn't much of a race. Although I did wonder where those thirteen thousand people were from who voted for him.

[laughter] He had thirteen thousand votes?

I don't know. Well, out of hundreds of thousands, I think. It was either thirteen hundred or thirteen thousand. I can't believe it was just thirteen hundred. But, you know, there are certain religious groups in our state who do not support my positions. And I had been involved in an unbelievable number of issues. I chaired the senate judiciary committee, and that issue was emotional, controversial, and I seemed to be singled out. I was pretty outspoken on the subject, so that's fair that I was.

What Democrat did you defeat then in the election?

In the general election, her name was Jeannie Ireland, and her husband had been a football coach practically everywhere in the state. His name was Bill Ireland and he was a Republican. And my understanding is, Senator Harry Reid got Mrs. Ireland to run against me. I think Harry does a great job for our state, but he does have a tendency if he sees a potential opponent, he tries to maneuver them around or to help defeat them so they are not a possible opponent in an upcoming election. So I think he probably would have preferred *Bill* Ireland, but at that time he was a Republican. So Jeannie Ireland was urged to run, and I guess Harry promised money and a lot of other things. I think she filed the last day. And so that was my Democratic opponent. I had been told that people—I don't know who these people were—after the plane crash had said that I was brain damaged, and that nobody would know about it until after the election was over. So I had to have a press conference here in my living room, in my home, and invited all the press. I had my doctor come up from Sacramento. In fact, my campaign manager at the time, Stephanie Tyler, who was also in the plane crash with me, was here, and I remember one of the reporters when we got done saying, "Well, you're just as ornery as you were before, so you must be OK."

[laughter] Yes, right.

So that kind of diffused that issue. But literally, I was not able to go anywhere from the primary election to the general election. So I had to keep running the same ads over and over and over again. And I had people volunteer, like Virgil Getto, who was a senator from Fallon. He was in the Pahrump parade, and he had my big banner. And even Democrats, like Dina Titus, did something, and so I had a lot of other support in addition to just people in the state.

Yes. Well, in that crash that happened in September of 1990 on Labor Day, you mentioned several injuries. Do those injuries still have an effect on you?

Yes, they do. And I am in a lot of pain unless I—I have some medication that helps me. But I think most people now feel I had been fused incorrectly, because when I lie down and when I get the pressure off me, if I sit up straight or if I stand, all the weight is . . . my head is trying to pull itself back to be situated over my spine, which it isn't. But, on the other hand, I don't think about that too much because nobody here in Reno wanted to operate on me, and that's the reason I believe I was sent down to the U. Cal, Davis hospital in Sacramento. I didn't become a quadriplegic or a paraplegic, so that's a real big positive.

Yes. Kind of that glass half full, half empty.

Yes. Yes. Exactly. So it's a story that is pretty incredible when you think about plane crashes and my family.

Yes, a lot of people probably didn't realize that your husband was killed in a plane crash, also.

That's right. That's right.

That was a small plane, also, right?

Yes, it was. It was owned by DRI.

Does your lengthy legislative experience help you as a gaming regulator?

Yes, it does in many ways. Not only am I somewhat familiar with the issues, and some more than others, but it also gives you an idea of how to behave on a panel or in a committee or a commission. And the big thing, I think, was the fact that when I first got on the Commission, it was so poorly run, and other people, I've learned, didn't feel that way. But because I'd worked my way up in the legislature and viewed many people and how they handled a committee and witnesses and so on, I just couldn't believe how disjointed it was run. I suggested that we do something that was done in the legislature, where you have a consent calendar, where if no one has an objection, issues or bills are put on a calendar and then you might vote for four or five things all at the same time. But if you had a problem—and I'm now speaking about the legislature—and I wanted to take off Senate Bill 4, then I'd just make that announcement and that would go off to a different calendar to be discussed and voted on individually. But if nobody had any problem with it, if it was just a technical change, there was no point, and we took care of a lot of things like that.

That was not the case on the Gaming Commission. When I brought this concept up no one was interested in it. But when Brian Sandoval became chairman, since he had been in the assembly—in fact, represented the same assembly district I did—then we talked about it, and he was very open to it. And we do operate that way today, and it's just so much better. It's so much more streamlined. And the same thing, if you read all your material and you want to have restricted number five, you want to have that person come, you do that, even if you're the only one. So it's the same sort of thing.

Right.

I think that those kinds of experiences are really important. In addition, both Brian and our current chairman had chaired other panels before. Previously, a member would just butt in and ask anybody a question. Now we go through the chairman, as it should be, as we used to do it in the legislature. So a lot of those procedural things I think are important, in addition, of course, to the substantive issues. Many of them have to do with issues from the legislature. And when you're starting to read the background material and you find out that you were chairing the senate judiciary committee when that particular bill was passed, then most of the rest of your members on the Commission listen to what you have to say, and normally you will determine the direction that that issue will take, because you were there. I mean, hopefully, you have an institutional memory and recognize why that became law. So I think those are some of the things that I feel my experience did help me with.

Well, things such as the consent calendar and addressing the chairman prior to asking questions, is that a written stipulation, or is that just something that the chairman proposes?

Yes, it's something that the chair directs. But now, that's the history of the Commission. So I suspect when people move on or move off, then it's going to be run that way now. I can't imagine anybody saying, "Oh, I want to hear from absolutely everybody, even if nobody asks a question," or the fact that anybody can just butt in. Sometimes, one would say, "Does anybody have a plane to catch? I'll

take you first.” It was a stampede, literally, to the microphone. And in addition to that, the restricted items, which are having fifteen slots or less, used to be taken first, and by six p.m. or seven p.m. at night, we might get around to the non-restricted items. And some of those were very controversial. People were so exhausted, so tired, that that was flipped around, too; non-restricted came first, and it makes eminently better sense. So those are indeed procedural things, but wow, if you’ve been there before and then you’re there now, what a difference. One of my commissioner friends and I were having a discussion about this subject recently, and he was shocked that I felt this way. But I go back to the fact that it was not run well, and my experience there in the legislature told me that and drove me in a different direction.

Are most of the restricted items now on a consent calendar?

In fact, last month they all were. But normally there are a few. This was the only month I remembered none of them. [pause] And some of the non-restricted are as well.

You served on several senate committees, and you chaired a few of them. Were there any that were especially related to the gaming industry?

The judiciary committees, and I served on those every single session I was in the legislature. And that would have been eight times. Started out in the assembly when a Reno assemblyman, Bob Barengo, chaired the committee, and I kind of took my direction from a friend of mine, Jean Ford, who was in the assembly at that time. You could read what each committee did, but you don’t really know if you haven’t been there before. So I did choose the judiciary committee and two others. Almost every gaming bill—in fact, *all* of them—did go through the judiciary committees until the one time I chaired it when I was in the senate. I will tell you why something changed then, and it had to do with taxes. But everything that dealt with the gaming industry did go through the judiciary committee. And so there were three times I served on that in the assembly, never chairing, because the Republicans were always in a minority position.

Because I was not in the majority party until I was in the senate, I didn’t get to chair any committees. But if you’ve been on there for a while and you understand what the issues are, you’ve a pretty good feeling for them, and it makes it easier, I think, to know how one would vote by having heard some of the same things, or somewhat similar things, in the past. When I got to the senate, I was able to chair the senate judiciary committee in the 1987 and 1989 sessions, because at that point, the Republicans finally became the majority party in the senate—they still were not in the assembly—and haven’t been since. I think one time it was tied, and that’s why they changed the numbers and made it now an odd number in both the senate and the assembly so that would not happen again, in addition to the fact that now supreme court justice Bob Rose had voted to break a tie in the senate when he was lieutenant governor and president of the senate. That was another reason—because some didn’t like the way he voted, to make it clear that the lieutenant governor probably couldn’t break a tie again. And because I’d had this long career, that would have been eight different times I’d been on the judiciary committee. But by the time I was in the majority party, I think that Senator Raggio, who was then the majority leader, felt that my experience on preceding judiciary committees was important. I do know that I had several interviews with people in the press saying, “Well, how are you going to do this? You don’t normally support everything the political party does. So how are you going to behave now in a leadership position, how are you going to deal with that?”

And I said, "Well, I think people by now know pretty much that I don't go along just to get along, or get along to go along or whatever, but the fact that I look at every issue as it comes." And because of that position I was in, I did have a much *heavier* role in gaming matters than I probably had had in the past. In addition to that, under I think it was Governor Richard Bryan put me on the gaming policy committee, which at that time actually did meet and did things. And so I felt when Governor Miller appointed me to the Gaming Commission, those were some of the points I made to the press at that time as to why I thought that this was a good appointment. In addition to that, actually, was another reason I felt that it was a good appointment, and I did talk to Governor Miller about this, that at the time there was a national committee looking at gaming in our country. And, in fact, Bill Bible, who at that time was chairman of the Gaming Control Board when I came on the Gaming Commission, he served on this national board. And I told Governor Miller that as far as my reputation was concerned, there was nothing that anybody could get out of my closet, because there were no skeletons there, and I'd be a very good appointment for him even if I didn't vote the same way everybody did all the time.

[laughter]

I was also the prime sponsor of the ethics commission. That may not be a bad thing at all, particularly because at this time it appeared that the majority of the national committee was *not* in favor of gaming expansion, or had a different view of gaming than those that regulate the industry in our state do. At that time, it was not nearly as prevalent in every state as it is today; that was in 1997. So that was some years ago.

Well, was Bill Clinton president then?

Yes, he was.

So did he appoint some people to that committee, also?

Yes! He appointed Bill Bible as one of them. And I don't remember who else. I think Terry Lanni. But Bob Miller was obviously instrumental in getting that appointment, because it wouldn't have been fair for any commission not to be balanced, just like the 9/11 Commission is, as we're speaking right now. I think Bill Bible is extremely smart, very capable, and regulated the gaming industry in our state rather well.

I believe Terry Lanni was on that committee, also.

Yes, he was. Terry Lanni is president of the MGM/Mirage/Mandalay Bay.

[laughter] Yes.

Soon to be, maybe.

When you were appointed to the Commission, did you feel because of your legislative experience and your term as chairman of the tourism committee that you were quite knowledgeable of the gaming

industry and its regulations?

I did. I was wrong, but I did. As a matter of fact, I did forget that I chaired the tourism commission by virtue of being lieutenant governor. And pretty much that's it. You know, at that time tourism was gaming and not much else, like horseback riding or mountain climbing or golf. Of course, it helped me by virtue of some of the things we've already talked about, in addition to promulgating the rules and regulations that would flesh out a bill, but not go beyond the substance of the legislation. And, in fact, the Gaming Commission does not come under the Administrative Procedures Act. It was taken out of that when I was in the senate earlier. So there were those kinds of things, how you get from A to B, how extensive the information that regulators have on any applicant, it's just incredible, and the fact that the staff, hundreds of people who work for the Gaming Control Board regulating the gaming industry and how qualified and incredibly *good* these people are. I mean, when you read a report about somebody, Mr. A comes forward and wants a gaming license; if you don't want us knowing something, you better not apply for a gaming license. Some things are not necessarily important whether one gets a gaming license or not, but most everything is. If the financial underpinning isn't there, then we would really look at that with great concern—and particularly because we look at publicly-traded corporations to a large extent rather than privately held ones, although several here in northern Nevada are privately held.

But it's a fantastic experience and quite different than I had thought. I mean, I learned a *whole* lot—I could underline “whole” many, many times—about our number-one industry, and I think that's very positive. In addition to that, however, as I've already talked about, I think there were some things that I came to that Commission with that other people did not. Harry Reid was, I believe, the last former legislator who had been on the Gaming Commission. So I think somebody that comes from the legislative perspective brings something quite different than, say, a businessman would, or an attorney. I think that's very important.

Did you have a transition problem going from being a legislator to a regulator?

Well, in the very first meeting that I had, these men came with boxes of material, literally. Knock on the door and here's a box, here's another box, here's another box of background material. I just couldn't even *believe* the amount of reading that I'd have to do. And, in fact, at one point I said to myself, “I don't know if I can do this job.” Then I thought to myself, “You know what, I bet not one of those guys, one of those men, have said to themselves, ‘Gee, I don't know if I can do this job.’ So why would I say that?” And, of course, I could. I'm glad that I was not going to be in public office *after* being on the Gaming Commission, because I think it might be hard to determine how you treated the people who had the deep pockets in our state. I think that might be hard. Hopefully, it wouldn't have been hard for me, because I had been in that position in the legislature.

And I might say, one of the other things that when I'm talking about running in the middle of your term, clearly people who give donations know if you're not going to win that job, you're going to be right back there, in this case, chairing the senate judiciary committee again. And as I said, I have absolutely nothing in my background that gives me a moment's worry. In fact, a lot of my fellow legislators did not like the fact that I created the ethics commission and other things which I think are so important when people are publicly elected and wanting you to trust them. They should be above reproach. But I think that it's quite a different matter from looking at one piece of legislation. And normally, philosophically, you'll feel *this* way about a bill that deals with medical malpractice versus *that*

way. But I think as a regulator you've really got to be very tough, because this is a huge industry and you want to make sure that it's run the way you think it should be run. And I do believe it is.

So there is quite a difference between being a regulator and being a legislator.

I think so. I think so. And I've talked about some of the similarities, but I think there is in terms of public policy and how one gets from A to B. Well, I would hope that legislators would be tough, too. But I think that as this is a very visible industry in our state, it's really important. Although I have learned that most people have no idea how the gaming industry is regulated. I had been asked a number of times to go and speak to Republican women's groups, and I would bring Brian Sandoval, who's now our attorney general, with me because I had a feeling that he would be running for something later on. And we explained what being a regulator was all about, and no one had an idea of the size of our budget, how many people worked for NGC. We described all the different divisions there are under the Gaming Control Board. People had no idea. They didn't know that there were *two*: the Control Board and the Commission, and these were people that were interested in politics. These were mainly Republican women's groups. They definitely know how the legislature works, because each legislature, whether it's a federal or the local, or even a county or the city council, they all sort of run the same way.

And they're studied in schools, whereas the Gaming Commission or Gaming Control Board, to my knowledge, are not.

No. That's true. I've never thought about that. But clearly, when you see the little flow chart, the bill goes from here to here, that doesn't work always that way, either. I also teach a class for the political science department at the legislature every other year. And the students almost solely come from the political science department, and they realize that it doesn't quite work the way they learned in the classroom on campus.

[laughter]

But you're right, there's probably no discussion of this at all in our schools.

Yes, it maybe should be taught in some places, because it's such an important part of the entire state.

There should be at least a little discussion about it in our state, I think. That's a good point. As a matter of fact, I'm going to bring that up.

In 1999 some rules were established for compulsive gamblers. William Bible appointed you to a committee to study the problem of compulsive gamblers. What are your thoughts on solving some compulsive gambling problems?

It's a really tough question. I guess there are two ways to look at it: one is, hey, these people are adults, that to meddle in their lives and tell them that they can't do this or they shouldn't do that might not be appropriate for government to do. I do think that it is a serious problem with a very small percentage of our population or populations as a whole, that I think there are people who have what we generally say

“an addictive personality.” And that I realized as time went on, the reason that people tend to drink and smoke while they’re playing the slot machines, that these all kind of go together. And, in fact, there has been some research done by Harvard University dealing with problem gambling, and I think they’ve already been able to zero in on a chemical element in the brain that tends to be one that leads one to become addictive. And I guess if that is true—and I think I’ve read that for sure—that it would seem like maybe there was some medicine people could take that would make them less addictive. But I’m not sure we’re quite there yet.

But I think it is a problem, but how far you get involved in any state. I think at some point, hopefully, someone will discuss treatment programs. You know, should there be funding from the state for treatment programs? I suppose people would say, “Well, if we contribute money for that, we’re saying there *is* a big problem, because we’re going to give some money towards a treatment program.” I have no idea. But I know that the people that are involved in this here in Nevada, and some of the gaming casinos have been very upfront, at the beginning of this discussion. The one I think of is Harrah’s, that they have been pretty much a leader in dealing with this problem. Some states allow you to tell them that they are a problem gambler, and when the blackjack dealer recognizes you and kicks you out, that places a terrible burden on a twenty-one dealer or somebody else. And it’s not up to *them* to recognize a problem gambler. That’s asking them to be a little psychiatrist or little psychologist or whatever.

In some states people have asked for nothing to be sent to their home that says “Come on down this week and you’ll get special treatment.” I think it is a problem, and hopefully, the industry will look at it. I was hoping that something might come out of this national panel. But I think that because there are very few people percentage-wise in any state, actually, that maybe people don’t think it’s as important to deal with, but I think we should. And I think Nevada should be a leader in this. What we’ve done to date really is to educate employees—that was part of our charge—and I think a little warning is stuck on each slot machine, with a phone number to call if you think you need help. And there have been people in this state that have testified before that committee. One of them is Carol O’Hare, and she is kind of the leader in our state on this subject. She used to be a problem gambler. There was a woman that testified before this committee that we’ve just mentioned that had embezzled a lot of money from a non-profit that’s very well-known in Clark County. And, in fact, she was being sent off to I don’t know if it was prison or jail for embezzling. And the judge allowed her to come before our committee and talk about that before she went behind bars—not bars as in drinking bars, but bars in prison or jail.

And, wow! It just blows your mind. I’ve gambled once in my life with a roll of nickels, and I couldn’t understand why people think it’s fun and entertaining. But evidently many people do, and it becomes an addiction for some. And this woman, if you’d met her, if she could have sat on a panel with you, you’d think, “Wow, she really knows a lot.” She had a college degree and this and that. She mortgaged her home in addition to embezzling money from this non-profit, and all kinds of things. And it’s a real shame when you see people like that and you know that there is a problem. I think that possibly the local hangouts may be more important. I don’t know, because sometimes people will feel more comfortable in a Boulder Station maybe than at the Bellagio. But I do think there has been some work done on this, and hopefully, there will be more, because I do think it’s a problem. I think it would be an overwhelming problem if internet gaming becomes legal, if that comes into every home and you’re allowed to bet on it from the United States of America, which you’re not now. I could see that as being huge. I mean, somebody could roll out of bed and just go right to their computer. I think there would be more of a problem than actually having to get up, get some clothes on, get in your car, and drive someplace.

Yes. [laughter]

Have there been any other social issues in front of the Commission during your term?

Well, I think one might be an issue that was brought to us by the now Attorney General Brian Sandoval. When you go certain places, let's say, a drugstore or a grocery store, with children, there are slot machines—should they be there? Is that the right place? Kids are going to go with their mommies and daddies to a variety of different places where there are slot machines. We did pass a regulation in terms of limiting the spread of slot machines into businesses other than casinos. Strangely enough, I was opposed to that, because I think that this issue was pretty much brought forward to some of the commissioners by people who had just moved here from Illinois or California or some other state where they were shocked, as I was, when I first moved here, on seeing slots in airports and all of these different places. To me, Nevada is different than any other state. We've had gambling going on since the 1930s in this state. It was not an overwhelming issue for me. I think that this is still a wild and wooly West state, and I these slot machines are a part of that. Of course, I don't even see them anymore. You get oblivious to them, but I did not support that. It didn't seem to me that a good enough case had been made. Chairman Sandoval did bring this issue to the attention of the Commission, as did the previous chairman. But I just did not feel a good enough case had been made to change the direction of our state as an open-gambling state.

Well, you raised your children in the Reno area. Were they affected in any way?

In fact, I asked them that very question.

Oh? [laughter]

My son was one month old, and my daughter had not been born yet when we moved here, and neither one of them even thought about it. They were not interested in it. Neither one of them has ever gambled. I mean, maybe they have, as a lark or something. But neither one of them drinks or smokes, so they must not have that addictive gene.

[laughter]

But they were surprised that somebody thought it was an issue, and so was I. That was not the reason I voted against it, because *they* didn't think it was an issue, but I was interested in asking them that very question, and I'm glad you brought it up because I would have forgotten about it. Brian Sandoval and I made an appointment with Bruce Bledsoe, who then was the opinion page editor of the *Reno Gazette-Journal*. And we both came in and talked from our different perspectives. And he wrote a great editorial—but then I always thought he wrote good editorials—and presented both of our arguments and took both of our positions that this *is* a uniquely different state than other gambling venues. I felt fairly good when I read it that he got my view. But then he and I used to agree on a lot of things when I was in the legislature.

You did? [laughter]

Absolutely. That's why I miss him.

Would you care to comment on what we call the "theme" slot machines?

Yes, I will. It kind of fits in again with the children issue, that there was concern about the fact that possibly some of the slots' themes would attract kids. I suspect that people who read this will know what a theme is. Some people who hear the "Wheel of Fortune" or who like the TV show may want to play that machine. They might be attracted to some other kind of theme that's presented on the face of the slot machine itself. Some people became concerned about this whole "slots for tots" issue. Many, many workshops were held on this subject, that in the future when there was a theme that appeared to be a cartoon or maybe a board game that kids play, that that would be a theme that we should take a look at. It initially would go to a hearing officer, and that person would bring forward the transcript of that hearing. And then sometimes they want to keep this information confidential, because a lot of money has been invested possibly into doing a kind of theme, and there might be contracts made with, let's say, Warner Brothers, because they might own "Looney Tunes" or something like that. And so sometimes these are kept in confidence. We must ask general questions, but we know the subject, and we have to somehow weave our way through the questioning so we don't let everybody else in the room know.

The last one that we discussed, which was just last week, was Garfield the cat from the comic strip—I have a cat that looks kind of like Garfield, and I've never read the comic strip. Basically, the Control Board found this to be an adult cartoon, with an adult message, that it was not a kiddie thing at all. In fact, in discussing it with one of the members of the Control Board, the response was this is so much more adult-directed than Battleship, which was another theme we've had in the recent past that's a board game, I later learned. And when I've read all the material, it was clear that it was. The cat is very sarcastic, the cat isn't a fun little animal; it's like a real human being who's kind of lazy. And at this very moment comes a movie called *Garfield* that was going to open up the Friday after the Commission was going to hear this. So we wanted to know how the movie was marketed, whether kids went to the movie with parents or without parents, or just adults.

It is ironic that this motion picture comes out right at the time the Commission is discussing this particular potential theme. There were some critics or I guess the chairman had a list of comments made as a result of this movie. There were some people who took their children. Most of the movie theaters, according to the information, were kind of half and half. And sometimes if the cat acted silly or fell off a chair or something, the kids laughed, but as far as the real dialogue, it was more adult-oriented. Everything I read was that the movie is a very bad movie. If you read one of the critiques, you would not go and see it. But other than that, the real issue was: is it driven towards children? Well, the Commission voted unanimously in favor of that theme, so that will now go from being approved to our electronics division who will give the seal of approval to the mechanics of the machine. We've now decided that the Garfield theme is OK.

Another theme that we had approved was Battleship. And I think there was another one before that, but I don't remember what it was. I had never played Battleship. It is a board game. And our chairman at that time, Sandoval, felt that it was definitely a children's game. I had gone to a number of stores to see where it was stocked. The people that are making the machine, go out and spend an incredible amount of money to have polls done for them, or researching the Nielsen rating if it happened to be a cartoon or a TV show, such as *Bewitched*. They tell us how many people listen to that show, and what were the ages. There's a big investment into one of these themes. Getting back to the Battleship

board game, I was unfamiliar with it. I don't think it had been around when my children were young. I went and looked in several stores as to where they placed it: was it with the toys, or was it with a section of Monopoly and a variety of adult games like that? And I always found it in the adult section, although Mr. Sandoval felt that it was directly related to children. I think there was one more before that, but I don't remember.

Was Battleship rejected then?

It got approved. I want to finish that discussion, because, you know, children are not supposed to be in casinos, and so they shouldn't be seeing the themes on these slot machines, either. One of the things that we did do on this last one, saying that they cannot go into any restricted area. That was being overprotective because those would be the places that you would see children with their parents, for example, at the grocery store, the drugstore, the laundromat, or getting gas, or similar places. The people that brought that to us, the manufacturer, had no problem with restricting it in that way, as well. And I did want to make a point that people will hire all kinds of outside consultants to prove their particular position. I think it's kind of an interesting area. I don't really think we had to do it, because again, children are not supposed to be in a casino, and if they are, they should just be walking right through. In Las Vegas, of course, there are many movie theaters in casinos, and we made it clear that anything that got built in the future should make sure somebody could walk from the parking lot to a movie theater and not go by any of the gaming tables and/or slot machines. There was an issue with children, and it was a *Star Trek* theme, I believe. This was not a slot machine, but this was a ride that they could get on. And before getting on, sometimes there was a long line, and at some point in the line, there were slot machines and gaming tables right there. They were not far enough away. So in that case, we made them change where people were lining up to get on this particular ride and fined them \$350,000. That's something different, but it ties into the whole issue of minors and gambling. We do feel strongly about that in this state, but in my mind, we've pretty much done everything that I think you could do. In fact, I was waiting at the airport one day with one of our gaming agents, and we saw these youthful-looking people, and I said, "You know, you should go over. They're playing that slot machine."

"No, *you* do it. You've got the badge." I'm a peace officer by being on the Commission. I have a badge. I don't know where it is, but I've got one. So I went over and asked this young woman her age. She was so offended, and she went and got her driver's license, and she was like twenty-eight. [laughter] I said, "Some day you're going to be happy that you look about eighteen." I didn't do that again, but then I've never seen . . . I did see, last time I was in Las Vegas, which was a month ago, a woman bringing her small child through slots and tables, but they were walking right through and going to shops and things that are located in a lot of the casinos there. So I think we've pretty much wrapped up that subject, I would think.

In 1999 the Commission approved Park Place Entertainment Corporation's three-billion-dollar purchase of Caesars World, Incorporated. With this purchase, Park Place became owners of seventeen gaming properties in three states and two countries. Did this concentration of gaming properties into the hands of a few corporations concern you or anyone on the Commission?

I can't speak for anybody else on the Commission, because it really hasn't been discussed as a potential policy question. However, obviously, when this came before us, I had some concerns. And, of

course, other things have happened since then, and some are still *going* to happen. They have not been before the Control Board and the Commission yet, but they will be. I think when an acquisition happens the question becomes how many properties are too many to be owned by one corporation. And I realize it's difficult to know what to do and how to do it. I realize this went all the way back to Howard Hughes's days, and we might talk about that a little bit at some other point—Multiple Licensing Regulation Criteria 3.070. But the fact is that this is a concern of mine. I don't know if it could be regulated by a certain percentage. I guess you could also question the Station Casinos or the Boyd group. What part of a market do they have as far as the local casinos go? In general this broad question might be decided easily on the amount of revenue, or the number of slot machines, or percentage of market, or a variety of different criteria, I suppose. I guess they would be arbitrary decisions. We could decide what is too much, or maybe there shouldn't be any restriction. Maybe it should be survival of the fittest. I do think that is happening in Reno. But I feel this is something that would come from the Control Board to the Commission. It sure would be interesting workshops or hearings. So I would think that this will be a high-priority considering recent activities, even after this one dealing with Caesars World and Park Place.

You were going to refer to Howard Hughes when he purchased so many casinos in the late 1960s, early 1970s.

Well, that's when this whole idea of competition or lack thereof came before the regulators. I think it must have been during Paul Laxalt's administration.

Yes.

I guess at that point there was concern. I want to say it's regulation 3.070 that dealt with this particular issue. I think that he was kind of a Pac Man scarfing up different properties in Las Vegas. It did raise a question in the regulators' minds. I think that has brought us to today and questions of monopoly or anti-competitiveness. And very often, if not always, the Federal Trade Commission has to take a look at any potential anti-competitive problems. And the Federal Trade Commission has not found that to be a problem to date with many or any mergers. They looked at Harrah's acquisition of Harvey's up at the lake, because that is a much smaller market, and you have them owning now two of the biggest properties up at South Lake Tahoe, and the Federal Trade Commission said okeydokey. But I think that in some instances regulators have relied on the FTC verdict.

[laughter] Yes.

But I think at some point in Nevada, we're going to have to take a very serious look at this issue. It may be at the end of the day for whatever reason we decide that it's acceptable to allow *all* mergers, but I think it needs to be addressed. And I can say that I have already talked to both the gaming commission chairman and the control board chairman about this very subject as of last week, or maybe even the week before. I have mentioned it to the control board chairman several different times through the years.

Did you approach them about any specific properties?

In terms of the gaming commission chairman, yes; it was a result of the MGM Mirage/Mandalay

Bay news. With the gaming control board chairman, I have approached him about that, and, I think, Mesquite, Nevada. I don't know if you're familiar with Mesquite.

Not real familiar with it.

Most all properties are owned by one group. It's not the Strip, but the questions are still the same. In Mesquite a labor union wanted to get a hold there. Well, if one entity owned everything, they could just freeze out a labor union: "If you want to work for us, don't support the union." If a worker continued their support, they would probably have to either move to another community or find another kind of job. I'm not saying this happened, but I suppose it could. Yes, to answer your question, I thought we should look at this issue.

Do you have any more comments on that subject, Sue?

Well, I think I'd just say that we've seen this picking up steam. The MGM Mirage bought out all of Steve Wynn's properties, but recently sold two of them—the Golden Nugget downtown and in Laughlin—to two young men. But other than that, they picked up quite a few properties in that merger. I know that some people felt we regulators should have made a bigger issue out of that. Since then the Gaming Commission voted unanimously to combine the Boyd Group and the Coast Casinos, owned by the Gaughn family in Las Vegas, two very old gaming families whose dads actually came to Las Vegas and started early in this new business in southern Nevada. And each of these families has a very good reputation.

In January 2001 the Commission lifted a longstanding ban on wagering on Nevada college teams and put in force some new sports betting regulations. Did the NCAA work with Nevada regulators to get these new programs in place?

Well, part of what happened was that the NCAA has been looking with a negative eye to the fact that sports wagering is legal in Nevada. They've had a number of coaches—popular coaches—come to D.C. to testify in favor of repealing that law. I know that Senator John McCain from Arizona—he chairs the commerce committee in the United States Senate—has been very hot on this topic. He feels that no state should allow betting on college games. The only reason the NCAA ever knew there was point shaving going on at Arizona State University was the fact that we *reported* it to them—the state of Nevada did. And the NCAA would never have known, if sports betting was not legal in Nevada. They had no idea at all. I mean, people know what goes on in Nevada. They know that they can place bets on different sporting events, but it's all done legally. During March Madness, the NCAA basketball tournament, I happened to be in Las Vegas at that time. There were thousands of kids at the place that I was staying, all having a wonderful time betting on all these different basketball teams.

I would much rather have them *there* than sitting up in their dorm room taking bets and then calling a bookie on the phone and making an illegal wager. I just don't understand why they don't see it that way—but they don't. And getting back to Nevada, Brian Sandoval had gone back to testify before Senator John McCain's committee, and one of the zingers he said was, "Well, if it's so good and so legitimate, why don't you allow betting on your own teams? There must be something wrong if you don't allow people to bet on UNR and UNLV." Brian came back, and we took that ban *off* to allow people to

bet on our homegrown teams. That's why.

As far as the NCAA working with us, no, I've got to say I don't think so. I think they've been working against us. We did have a panel at one of our meetings, and we had somebody representing . . . maybe there was somebody from the NCAA on that panel, but I do specifically remember from the NFL, the National Football League. And they also didn't want betting on their games, but guess what, they went away and we haven't heard from them again. You know, it's possible they just wanted to get some press, and good press. But it's an issue where there is no other side, in my mind. There just isn't.

In June of 2003, the Commission fined the Mirage five million dollars. Would you tell us the reason for such a large fine?

It had to do with the fact that employees were not filing reports at a certain time, and they had piled up for a very long time. That person—and I think it was maybe more than one—got fired immediately, and it was the largest fine that we have ever levied.

Were those anti-laundering reports?

Yes, they were—Regulation 6A.

Is that still the largest fine?

Well, I can't think of any one that's been bigger, because this just happened not even two years ago.

In January 2004, Tim Poster and Tom Breitling appeared before the Commission to be licensed as owners of the Golden Nuggets in Las Vegas and in Laughlin. Would you tell us about the hearing and the problems that Poster and Breitling brought with them to the hearing?

Yes, this just happened when these two young men wanted to be licensed because they wanted to buy the Golden Nuggets from the MGM Mirage Corporation. They were two very young men in their thirties—I think they were even younger than my own children. They started initially selling rooms in the Las Vegas casinos. I believe they sold their company, which was called Travelscape.com to Expedia.com for over a hundred million dollars. And here are two young people who have *all* this money, and I think they were kind of at loose ends, not knowing exactly what to do with the rest of their lives—or their money. One of the things we did learn in that hearing was that they also had a partner that was going to be a passive investor—Andre Agassi. They had gone to high school with Andre, the famous tennis player who lives in Las Vegas. And it appeared as if maybe they had been a target of people with questionable backgrounds. They had been sort of lured into Rick Rizzolo's company.

Rick Rizzolo was rather an unsavory character?

He was indeed. He was in the adult entertainment business. It was pretty clear to the investigators—I've mentioned what a terrific job they do. Poster particularly had more time, I guess, to play around a little bit. He was eating in this restaurant, Piero's, anywhere from three or four nights out of

every week, where Rizzolo and some of his buddies hung out. And Rizzolo did indeed come into contact with people that the gaming agents knew something about, that they were associated with organized crime. And so that was a big concern of ours, and I think it *would* be of any regulator. One of the control board members is the former head of the FBI in the state. I think he was head of the whole state, but certainly the one in Las Vegas.

Who is that?

His name is Bobby Siller. And he made it really clear that these were exactly the kind of people that somebody might try to lure in. They were rich, they were young, they might be kind of seduced by all this attention that they were getting. And so I think they may have been somewhat surprised at the amount of time we spent grilling them. And clearly, one of the major concerns that some of us had was they had no gaming experience, nobody that they had as other investors had any gaming experience, and we were concerned about that. But they did agree to keep almost everybody, keep on all the management, and we felt much more comfortable about that. I know I did ask some specific questions; they were questions that were shown on this new television program called *The Casino*.

Would you tell us a little bit about that TV program?

Yes, I will. It's being produced by the same man who has produced *Survivor* and *The Apprentice* programs starring Donald Trump, who was another person before the Gaming Commission not very long ago. So the producer had big successes, although he's also had some bombs. And the ones that haven't done well are ones that don't have competition among them, that are just kind of viewing something, like the opening of a restaurant. I watched *The Apprentice* right before Donald Trump came to our Gaming Commission meeting so I would at least know something about him from that. And this program, it was suggested by both the two young men, Poster and Breitling, that they were going to show people what it was like to get a gaming license and to run a gaming casino. And it is being shown currently on Fox television on Monday nights, because it just was on last night. I think that they may give America the wrong image.

Are they actually filming things as they are happening?

They are, but they've selected certain things that hopefully will get more people to watch the show the next week. You know, that new expression that Las Vegas is using. What is it?

"What happens here stays here."

"What happens here stays here." Yes. Sort of that image. I think we got the idea—or certainly I did—when they were testifying. And they did start the first program, which was a week ago, with their experience at the Gaming Commission. I thought they were very energetic and very sharp to already have this program lined up. It's clearly great advertising for them, and the Golden Nugget for downtown Las Vegas, and to some extent for the gaming industry. But because they are taking over a casino in downtown Las Vegas which has had some difficulties, to say the least, the Strip has just kind of been the five-hundred-pound gorilla. I think that those are positive things. I think because of the experience they

had at the commission meeting, they're going to be a lot more aware of what they should do as owners, or what they should not do. I mean, you have to figure these kids are like they got in the candy store and they're just sampling a little bit of everything. The property in Laughlin, they're going to try to do a little cross-marketing with. But clearly, they have a lot of marketing ability. They've got to be somewhat creative to have created this company in their twenties and sold it in their early thirties for that kind of money.

So their biggest problem as far as getting licensing was the company that they kept, the people they associated with.

Yes, to a large extent.

Were there any conditionings put on the approval as they had to keep the same management team?

I'm not sure it was a specific condition. I'd have to go back and look at my records, but it was clear that that's something that was verbalized at the hearing. They got the message. And there's actually another TV program about a casino going on as well on a different channel. So Las Vegas is hitting a heyday on television programming right now.

And Reno is not.

And Reno is not.

No.

Oh! Reno 911!

Oh, yes. 911. Yes. [laughter]

Hey! I happen to watch the *Daily* show which comes on right after.

In the past year, some casinos have used billboard ad campaigns that are offensive to many people. Would you tell us what happened at the March 2004 commission meeting?

The meeting reminded me a lot of the legislative hearings when there has been a controversial issue. There were many people, and it was certainly organized by not only women, mothers with children, but there was an occasional male there as well. It had been organized and it appeared to be made up of people of religious organizations. And that's why I say reminded me of some of the things in the legislature. They were offended by some of the billboards used by the Hard Rock. And I have to say that I think the billboards were in extremely poor taste. But the reason that the Gaming Control Board was concerned was not because of the racy views or words, but was the fact that there were words that were used that suggested that cheating went on in gaming. For the life of me, I can't remember the other word used, but they were not found offensive to the Control Board in the way that the *public* was offended by it; they were offended by the use of the words that affected the image of gaming and gaming control in

Nevada.

The people came back again, and that was in March, and then we were going to vote on that very issue that I've just described at a later meeting, and maybe that would have been in May. But we did take testimony again, and we had the attorney representing Hard Rock there as well. They had come up with a one-hundred-thousand-dollar penalty or fine against three of the concerns, and that was the most possible. And I guess there were a lot of negotiations that went on between the control board attorney and the hotel itself. Interestingly enough, at the end of all this testimony, the chairman of the Gaming Commission said that we would not be voting that day, but would possibly move it over to another hearing. That was a surprise certainly to me, and I think it was to the other members, but we all tended to support the chairman in the direction that he wanted to take this issue. We have not done anything on it yet as of this day, which is in the end of June.

The northern Nevada area especially is starting to see a great deal of activity with properties wanting to open so-called "neighborhood casinos," the type of casinos that the Station Casinos operation in southern Nevada has had so much success with in past years. Do you see a problem with neighborhood casinos, either in Las Vegas or northern Nevada?

You know, I don't think I do in Las Vegas. Clearly, the community there has not organized to any extent to protest them except in one instance, and that was done when Brian Sandoval was chairman of the Commission. And I believe that they had to get another piece of property because of the concern of the neighborhood. Here in northern Nevada, it's a totally different story, as I'm sure I've mentioned in prior tapes, the fact that northern Nevada has never been totally engaged in gaming as being something that they have opened their arms and hugged. I think in this case, because we do have neighborhood advisory boards, that it will become a big issue, and it has become a big issue. As a matter of fact, when Jeff Siri and Donald Mousel both testified before the Gaming Commission about this neighborhood casino, which was going to be on, I'm going to say, Fourth Street and up in the northwest part of town—

McCarran?

And McCarran, maybe. I had kiddingly said to both Jeff and David that they better not count their chickens before they're hatched, because David and I, in our neighborhood, had protested the building of the Walgreen's drugstore, as a matter of fact, and Jeff Siri used to live right around the corner from me. We were able to get that killed and defeated. So I told them that they may run into some opposition as well. And indeed they did. As a matter of fact, they did to such an extent that that piece of property did not come into play. I know that they're looking around now for a different venue, but I think that it's going to be difficult, because, as I say, people here have not embraced gaming the way Las Vegas has. Although I think if the right piece of property is found, I think that they, Siri, Mousel, and the Cal-Neva, would have a very upscale place. But, you know, it raises red flags to many people, particularly because people have moved to northern Nevada from different states, and this is something quite different for them. And if that's where you live and that's where the school where the children go, it's going to present some problems. It may do better in an area where all the development has not occurred yet, such as the Tamarack Junction.

There are regulations now, aren't there, about how close a casino can be built to a school?

Yes, and to a religious building as well. It's Regulation 3.010—unsuitable locations. But if somebody doesn't protest that, it doesn't mean automatically that it would be defeated. Let's say somebody proposed a neighborhood casino within x number of feet of an elementary school; that doesn't automatically knock that out. The Commission would look at that, and possibly people from the neighborhood would come in and testify as well. But I think with the Station Casinos, for example, that that has become a very not only lucrative business, but also one that I think people tend to go along with in Clark County.

It's a very recognized casino chain.

Absolutely it is. I think it would be recognized as the most important and influential neighborhood casino organization. There are some others, but they are certainly the king of neighborhood casinos.

Well, some of these casinos that are talking about moving to outlying areas, is this happening because they have lost their license location in downtown Reno because of the Reno ReTRAC?

Yes, in many cases that is right that they've been grandfathered in, meaning that they don't have to build a hotel with a minimum of two hundred rooms. They can take that license because the trench would come too close to that business or through that business. [laughter] So they've been allowed to take that license and move *with* it, so to speak. At one time, for the Peppermill, it started with a lobbyist named Harvey Whittemore. The license was sold to Harvey, but Harvey did not have a gaming license. So he then sold it, I think, for a dollar to the Peppermill, and then they were looking at taking that license and building a place in southwest Reno. That presented real problems for the Atlantis, because it was getting awfully close to their domain, and, in addition, *they* were looking at building something out in that area as well. So because they filed a lawsuit, and because it appeared that it would drag on for a very long time, Peppermill and Whittemore are now looking at the Spanish Springs area. In addition, other groups that also have licenses are looking at Spanish Springs as well.

Which, of course, has been a booming residential area for the last few years.

Yes, it is. And interestingly enough, however, it's still rather new. So the possibility maybe of getting something built there is going to be much more likely than it was in the Fourth Street, McCarran area.

In your opinion, are many of the Reno casinos now concentrating their marketing on local residents rather than marketing outside the state of Nevada?

I think that's true, and I think part of it is a result of September 11th in the fact that people were coming from further distances—that's one of the reasons—and because airline traffic and airport security presented a problem. Those that did market to locals are the ones that did very well, or continued to do well, during this period of time. The other major reason that I think I might add is, of course, Indian casinos. And I think that, again, those have sucked off, if you will, or vacuumed up many of the tourists

that would come to Reno, and now they don't have to because they're visiting casinos in Washington, Oregon, northern California, and that market is diluted. Those casinos that understood that, and have always focused on people that *live* here, were the ones that did well and are continuing to do well. A good example is the poor Siena [Hotel-Casino]. Mr. Ng, who is the owner, a *wonderful* man, had a terrific application before the Gaming Commission, and unfortunately, he opened his property about a week after September 11th. I think he really believed that this was a boutique casino and that many of his associations and contacts in the Bay Area would come here, but, again, many of those, he assumed would be coming by plane, not necessarily driving. And, of course, we have the winters that some people don't want to cross over Donner summit in the wintertime, so there were these other opportunities for people to get their entertainment from casinos that are now very available to them in the northwestern part of our country.

Of course, at the Indian casino there at Thunder Valley, one of their advertisements is, "Why put on chains?"

Yes, exactly.

"Come in here and play." [laughter]

And that's a very nice property. I don't know if we've talked about this before, but that's being managed by the Station Casinos that we just discussed earlier, and they, of course, have enough property. I went through it about a week before it opened, because the son of one of my friends is head of the table games there. And they have a lot of property where they can build a hotel, which is obviously in the master plan. So all of these things really pointed out that, hey, you know, locals are pretty darn good customers. And you can look at a casino such as the Sands, both the Atlantis and the Peppermill, although they do have a clientele outside of the state, but they also market locals as well.

What do you feel about the fact that the Indian casinos are standing there alone all by themselves, whereas if someone comes to Reno, there's a multitude of properties that a person can go to?

Well, I think that obviously is the real attraction that downtown Reno and South Virginia Street offer. I guess it depends upon what the customer wants. If the customer is only interested in going and pulling slot machine levers and maybe getting a less expensive meal, then they're going to be satisfied with Thunder Valley or some of the other places. I think the *biggest* thing—and everybody says the same thing, so it's nothing that I thought up—is that the special events we have in Reno are the thing that will, I think, stand us in good stead. Not only that if they aren't doing well at the Silver Legacy, they go across the street to Harrah's and hope that their luck changes.

Right.

And that also is important, but just last weekend from the taping that we're doing today, there was a "Blues and Brews" that was put on downtown, where there were the breweries, and then they had blues music. I guess that drew quite a crowd. Of course, nothing's like Hot August Nights, but you have the rodeo, you've got a lot of things now ongoing, particularly through the summer where that's another attraction that the Indian casinos can't duplicate. They can duplicate in many cases the entertainment,

because I have noticed that. In fact, even in Arizona some of the casinos that I've been through have the same entertainment as we have here. Sometimes we get an amazingly popular performer that comes to Lawlor Events Center. I'm thinking of Prince, I'm thinking of Cher, some of those bigger names. I know the entertainment kind of dropped off here in Reno because when the big entertainers that used to be in Sammy's showroom at Harrah's or out at the Nugget, they became so expensive that they found it was not in their best interest. In addition, they would play in large venues such as a football stadium or Madison Square Garden or Staples Center. So they're getting back to realizing that entertainment is also a draw. They're not the top tier of entertainers, but, as I say, a lot of them you can see right at some of the Indian casinos. You know, I guess I could throw out a name, but I'm not going to because I might be wrong. [laughter]

[laughter] Well, the thing with those special events you mentioned, also, they're more than a one-day situation, whereas in Indian casinos, most of them don't have the hotel rooms yet.

I think that many of them will be getting the hotel rooms and golf courses and the other amenities, if you will, but I think you're right. To get away for a weekend is something that's being marketed as well. And during the summer months there's no big problem. We're definitely constrained by being on the east side of the Sierras in that way. Of course, we're darn lucky we've got them there, too. I was just looking at the number of passengers going through McCarran Airport just last month in Las Vegas. It was their best March, I think, it was, or maybe May, of any May in the history of Las Vegas. So they're just doing so well. And they don't have quite the same problems that northern Nevada does in terms of Indian casinos. They've got the L.A. area, San Diego area, plus people come to Las Vegas from all over our country, or the *world*, for that matter. It's in a class that nobody else touches. Maybe Macao will be breathing down their backs, but, again, they're going to be rather limited there as well in terms of numbers of casinos.

And no mountain passes that they have to pass.

And no mountain passes. No, I think you get in one of those boats and go right from—would it be Singapore? Yes, I think so. And I guess it's not *that* far from mainland China to Macao. And Macao, if I remember correctly, used to be owned by Portugal, and then it was turned over to the Chinese. I think I'm right about that. So out of the three licenses, which I think we've talked about before, you've got Adelson, Sheldon Adelson of the Venetian, Steve Wynn of Wynn Resorts, and then the third one is going to be the MGM. They got it in a different way, by going into business with the daughter of Mr. Ho, who was the monopolistic . . . he was totally in control of gaming in Macao until just recently. But the MGM did not get one of the three licenses. They lost out. But they didn't really lose out because now they're going into business with the daughter, and they'll be splitting, of course, the revenue. It won't all flow towards the parent company. But that has got to be the biggest market on the face of the planet.

Right.

So if they have to split it, I guess that's not too terribly bad.

[laughter] Yes. Does being the only commission member from northern Nevada concern you in any way?

Yes, it does. First of all, you're sort of hanging out here by yourself, and I have no idea with the other four members—and I get along very well with all of them—if they get in touch with each other or they see each other at events. I don't know that. I mean, clearly, they don't discuss things in violation of the open-meeting law, but if there's some function, maybe a dinner honoring, let's say, Terry Lanni, president of the MGM, well, they're all probably going to go. I know that Art Marshall, who you've also interviewed, very often when there's a big event such as the Anti-Defamation League, he makes sure that I know that he will get a ticket for me and take care of it as his guest. I don't do that just because I don't like to travel as much anymore.

And the other reason, of course, is the fact that the issues that we have, the problems we have, are quite different than the ones that Las Vegas has. We've talked about this in a variety of different ways—in fact, just in the last question. So even if you're talking about northern Nevada, Elko is quite different from Mesquite in terms of properties in the outlying areas. I feel that Brian Sandoval, the past chair, and I, had a lot in common, because we both represented the same district in the assembly. We didn't talk about things that often, but sometimes we did, and I don't have that opportunity now. And maybe there will be another member from northern Nevada—I would think probably not on an ongoing basis, because Governor Guinn broke that kind of pattern of having two from northern Nevada and three from Las Vegas when he did not appoint another northern Nevada person the last go-around that he had. And so that went to—the chairman, actually, Peter Bernhard, took Brian Sandoval's place, so now there are four down there. I think the biggest concern is the fact that the issues are so different, and sometimes I have to be the spokesperson from northern Nevada, even though it was pointed out to me that really I represent the *state*. And that's true, we all do. It's not called Northern Nevada Gaming Commission.

[laughter]

But, in fact, we're talking about neighborhood casinos and Station Casinos. I really quizzed them rather extensively about Thunder Valley, that they were, you know, really going to suction off much of the revenue that would come to northern Nevada by managing that. Well, they saw an opportunity and they took it. They have shareholders that they have to answer to. I understood that, but I did make quite a record of it for the transcript, because I thought I needed to. So that does present some problems, I think, by having only one person.

Yes. And like you say, with Thunder Valley, no one else on the Commission is really going to support you on that possibly, because they see no problem with it down there.

Yes, but interesting enough, Commissioner Marshall does come to my defense occasionally, and I believe he did on this very issue, pointing out to the Station Casinos after I got done with what I'm sure they thought a very long discussion of this, that Commissioner Marshall said to the Station Casinos people, "You know, you really *should* take a look at Reno." And he's done that a number of ways, which I really have appreciated a lot. But it's not the same thing as feeling like you've got to defend or represent an area of the state that nobody else represents. So, yes, I do think it's kind of a problem.

I wonder if the situation has ever come up where someone has thought about making it a regulation or a statute that there's geographical appointment of commissioners. In years past, the so-called "cow

counties” had representative people like Walter Cox.

And, I suppose, maybe Carl Dodge.

Carl Dodge from Fallon, yes.

Yes. But that was done just by practice, right?

As far as I know.

Yes. Well, clearly, there is a not a regulation now, because the governor, of course, appointed a Las Vegas for the position of chairman. I don’t know how I’d feel about that. I’d have to give that a lot more thought. I suspect that it would be difficult to get it on, for one thing, just by virtue of the make-up of the Board and the Commission at this point, in addition to the governor being from Clark County. I think that people would say that it really is the governor’s choice. He or she—hopefully, there’ll be a she in the future—that that’s their jurisdiction, and one wouldn’t want to hamstring them. And maybe I might feel that way as well.

You have described yourself as being tough and hardnosed. Does that description fit your entire lifestyle, or are you tough and hardnosed only when acting as a member of the Commission?

Well, I suppose you should really ask that question of my children.

[laughter]

First of all, I certainly wouldn’t limit it just to the Commission. Probably people would describe me, if they used that term, in my involvement in the legislative process as well. I would say that might fit my public performance, if you will, and maybe it’s the view that other people have of me. I remember I was just dumbfounded by this. And I will not mention the name of the person, but it is a male lobbyist who is very well known and who has been involved in the legislative process for quite a long time. And at one time he told me that he became very nervous, and not only ill at ease, but was uncomfortable in coming to lobby me because I guess I scared him a little bit. And I just couldn’t even believe that description, but when I read this description of myself that you just asked me, I immediately thought of that description. So that, of course, is, again, in a relationship that you would have in my public life. I think that probably if you ask people that were my friends, they might say that that is probably a fairly good description.

I was going to say maybe before I ran for office people would not have described me that way, but I suspect that wouldn’t be true now, and maybe that is how people see me. In a way that’s good, in a way it isn’t very good. I guess that it’s helped me get through some difficult times in my life by not being, I guess, the other description would be soft and submissive. I don’t know. But to be honest, I guess I would describe myself that way. As I say, that’s probably a good thing when it comes to the public part of my life, probably not so good in the private part of my life. My daughter is now engaged, and I’ve met everybody that she’s been serious about or has brought home. I don’t know how many guys. And it turns out that the guy that she decided she was going to marry is one I didn’t get a chance to meet. So I guess I

would kiddingly say I didn't scare him away. [laughter] So I think that, yes, I am, as far as my performance on the Gaming Commission.

You were interviewed for or you participated in a book called Maverick Spirit.

Yes.

What was the name of the gentleman who edited that?

Richard Davies at the university.

Yes. And he picked how many people to interview?

Well, I don't remember. I'm going to say maybe ten, twelve, something like that. And I think it was people since World War II—if I remember, that sticks out in my mind.

Did he interview them and then write an article about them after the interview?

No, what happened was that he selected different people to write the chapter on an individual. I'll give you an example. Initially, the chairman of the then political science department, Eric Herzik, was going to write a chapter on Bill Raggio. It turns out that he didn't have time to do it, so somebody else wrote it. And a different person wrote a chapter on Steve Wynn or on Jerry Tarkanian. So there were different authors, depending upon who the subject was. In my case, I had maybe met this woman a couple of times but did not know her well, Pat Klos. She has been involved in a number of things in our community, and her son is a lobbyist and a president of R & R Advertising. Her first husband actually has been the mayor of Boulder City for quite some time. So we got to know each other, and she took it from the perspective that the reason I was chosen is because I was not the typical Republican or interested in the typical issues that most women were, such as education, human resources, those kinds of issues. And that's the reason I was chosen to have this chapter written about me. Maybe the hardnosed aspect comes into it, too.

[laughter] I was going to say that. I was wondering if the "maverick" tied in with being hardnosed.

No, I think actually it had more to do with supporting issues that were different than other Republicans and because I took stands on issues that other Republicans did not.

During your time on the Commission, you've served with two other women: Debbie Griffin and Radha Chanderraj. Were there many times that the voting was three-to-two with the female members of the Commission in a minority?

Actually I've given this some thought, and I would probably say no, unlike the legislative process when this happened a lot. I think there's a definite kind of leadership style. The style for women is different from males, but it's not as prevalent in the Gaming Commission work. There have been several exceptions to that, such as domestic violence—if an applicant has had any kind of problem with that, and

you normally see that coming out in the restricted licenses more than the non-restricted licenses, that being fifteen slots or less, such as in a 7-Eleven, and I think we've talked about this before. Sometimes you see this come up, or if somebody has a drinking problem or used drugs. Maybe women will perceive that differently than men. I particularly become very concerned when someone has been involved in domestic violence. And someone might say, "What's that got to do with having a gaming license?" Probably a good question. To me it seems as if they cannot live by the rules of society. That is something you should not do. There are a lot of laws dealing with it, but then if they can't somehow live within those boundaries, they're probably going to have a difficult time adhering to the gaming laws and regulations.

One instance comes to my mind that the Control Board sent to the Commission, unanimously recommended, a man who lived in a state other than Nevada. I've been involved in this issue legislatively, and he was a classic domestic abuser, and when I say "classic," I mean *really* bad. And so I started asking questions, and by the time I was done, the Commission unanimously voted *not* to give him a license. As a matter of fact, I had at least one of the Control Board say, "Gosh, I'm sorry I voted to give him a license." I was so concerned about this particular man that during the meeting, I left my chair and went and spoke to the head of the enforcement division of the Gaming Control Board and asked that the police be notified in this city in an adjoining state that this man is going to come back, and he's probably going to be so angry and blame it on the woman who he basically blamed everything on. And they were ahead of me. They already had done that, which made me feel very good. In that case, that's kind of unusual. That doesn't happen that often. But as far as looking at, let's say—we'll use a good one—Steve Wynn coming before the Commission when he was licensed for the Bellagio, there's no distinction made, I don't believe, on gender in most of the cases. As I say, that's not true in the legislature. There's a big difference. The only difference between the women would be the education of Radha Chanderraj because she's from India. She received a law degree from the University of Bombay, but went back to UNLV law school and has just finished getting a law degree from them. So that will be her bent. Rather than being a gender issue, it might be a legal issue or looking at it from an attorney's perspective.

Did you have something more you wanted to add to that, Sue?

I did. At my very first meeting, the restricted agenda came before the non-restrictive, meaning the things that were less important in a way, because that, again, was the fifteen slots or less. I think with the first three agenda items I voted no on, it was four-to-one, four-to-one, four-to-one. And there was an attorney in the back of the room who I heard said to whoever was sitting next to him, "My gosh, is she going to be tough!"

[laughter]

And after I'd been there for a while, I realized I probably was a little too tough. So I guess in that case, yes, I was, and it did probably add to my reputation of being tough and hardnosed *[laughter]*. But after a while I realize that there were things that were not as important in the long run as I thought they were at the very first meeting.

And it might vary according to an individual.

Oh, absolutely.

Some men might be more softhearted than other men, of course.

Yes. Yes, I can think of some issues that that would be true of.

Are there any other situations you'd like to bring up, Sue?

Well, one of the other areas that I've not mentioned is whether the Commission gives back a work card or not. And with the former chairman, Mr. Curran, we spent a great deal of time on this. He felt it extremely important that these people get every break in the world. And actually, the Commission is only supposed to discuss or ask questions based on the record, not something new. In fact, they didn't used to have an audience, if you will, before the Commission until Mr. Curran became the chairman. That becomes pretty emotional sometimes. And it's become apparent that if you are able to have an attorney represent you, you have a much better chance of getting a work card back, although I think that commissioners really respond to someone who takes responsibility for what they did and apologizes, and then the Commission votes. One of the other areas where I think, as far as I'm concerned, that would be a gender issue is if the male owes the former spouse—or children—child support and/or alimony. And if he was in arrears and appeared that he didn't care, I would not support that person at all. But that is an issue, again, that started with me in the legislature and carried on. I don't think other women—and I can't think that either Debbie or Radha felt quite the same way. I don't remember them verbalizing anything like that. But as far as I'm concerned, that would definitely be an area that I would feel strongly about.

Over your many years on the Commission you have had to make many decisions and many rulings on various people and corporations. If you could change any vote or any recommendation, would you do so?

I can think of one, and I'm sure there were quite a few. I've never said that all my decisions were right. This was a top CFO, I think, of a major property. He had been picked up for something he'd done wrong in a state other than Nevada, and he didn't fess up to it. I think it was a DUI. He left it off his personal history, and that's something we do feel strongly about, that if somebody ignores when it says, "Have you ever been arrested?" and you say, "No," and you had, and you'll say, "Well, I didn't know it was a real arrest because I didn't go to court." And there are some people who don't quite understand the system, and, hopefully it's explained. We brought this up a number of times. Some people don't understand the difference between an arrest and whether it was a felony or a misdemeanor or gross misdemeanor. But in this case this man was *way* up there in terms of responsibility, and he did not list this on his personal history. And because he was a major player in a major property in Las Vegas, I just didn't take it as seriously as I've done with other people, and licensed him. He was unanimously approved. In talking to other members, several felt the same way I did. I should have voted no, I think, because he had done something that I had voted no on in many other instances. So that is definitely one that I would think that I didn't vote correctly, and I'm sure there are a lot of others as well.

Approximately how many hours a month do you spend on commission business, Sue?

Well, most of the time—in fact, probably all of it—is spent on reading the reports that we get and preparing yourself based upon the agenda for that month's meeting. As most know, we meet once a

month at a minimum. This month there was a special meeting as well, in addition to our regular meeting. I spend probably, I'd say, a week, and sometimes more. This last meeting I definitely spent more, because it was a very busy and important agenda. But I probably spend more time—takes me longer—than other members because my eyesight was damaged in the plane crash, and so I have to deal with it a little bit differently. It would be wonderful if I could get everything in bigger print, but [laughter] that would be above and beyond the call of duty, I think, for the staff. So that's about what I would say, a week to ten days.

Do you spend more time now than when you started, or less, or is it about the same?

Well, maybe I should say I read differently than when I first became a commission member, rather than more or less, and I know a little bit more what to look for. I remember having this discussion with my children. My son was actually at the capital when Governor Miller appointed me. And by the time we had gotten home, I just couldn't believe the boxes of material being delivered to me. I talked with him about it, and he said, "Well, Mom, it's probably just like being in the legislature. You're going to get a better idea as you did then on what amendment to look for and what the bill basically said, and that was a learning experience." And he was right. I basically said, "I know what to look for." Before, I looked for everything and anything, and that is almost too overwhelming in some ways to remember everything, because, as I mentioned to you, I believe for the last meeting, one application, the one from Japan, was eight inches of material on one application, and that's pretty tough to do.

One out of many applications.

Oh, one out of many. That was just one. So I guess that I would answer it that way.

Your term will be expiring in 2005. Would you serve another term if the position is offered to you?

Yes, I would. And I'll be done in April of 2005. I do know that Governor Guinn, who has reappointed me, that he said when he was initially elected, or early in his first term, that he felt that two terms was pretty much enough for anybody to have on any board or commission, and he used the Gaming Commission as the example. So I suspect he means what he says. Most of the time it's been one person's term comes up. In my case, Art Marshall and I were appointed on the same day in the same year. So our appointments will be up at the same time. That's two out of a five-member group.

So as time-consuming as the job is, and as tiring as it is sometimes, you still enjoy doing the job?

I do. I've had a lot of people say, "Why would you want to do it again?" because normally, I'll say how much reading there is [laughter] or I can't do this because I've cloistered myself off that week before. But I realize that the Gaming Commission and/or Control Board are terribly important to the state. Regulating that industry is paramount in terms of the reputation we have, not only in this country but around the world. I won't say I really *enjoy* it—that's probably not the right term. I do enjoy the people I work with. I feel that it's an important responsibility. And, yes, I would certainly serve again if the governor asked. And I'm going to let him know at some point that I'm interested.

[laughter] You're going to let him know that you're interested. [laughter]

And, you know, that's not going to probably make a whole lot of difference, but . . .

It might. You never know. Can't lose anything.

No, that's right.

Because his term is going to be up in 2006.

Yes, that's right.

That's all I have, Sue, unless you have anything you want to add in conclusion.

No. No, I don't think so.

Well, thank you for your time.

OK, great!